

2014 Annual Report

Dedicated to the memory of John McGee, Chief Financial Officer of the Arizona Department of Transportation from 1999-2009.



John will be remembered as a remarkable leader and mentor.

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Economic Highlights

ECONOMIC HIGHLIGHTS: YEAR IN REVIEW

FY 2014 at a Glance

In fiscal year 2014, Arizona saw modest economic improvements with sluggish growth in employment, personal income and population. According to the July 17, 2014 Arizona Department of Administration's employment report, the Arizona unemployment rate decreased from 8.1 percent in June 2013 to 6.9 percent in June 2014. During this period, the private sector created 45,900 jobs while the government sector lost 3,100 jobs for a net gain of 42,800. The number of jobs gained in FY 2014 was lower than the 49,400 jobs gained in FY 2013.

The Department's two main state funding sources, the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF), also known as the Maricopa County Transportation Excise Tax, posted positive results in fiscal year 2014. In fiscal year 2014, the HURF revenue collections were \$1,241.3 million, 2.6 percent above fiscal year 2013 and 1.4 percent above the forecast. The RARF revenues equaled \$365.6 million, an increase of 7.0 percent over fiscal year 2013 and 1.0 percent above the estimate. Despite solid year-over-year growth, HURF and RARF revenue sources remain at fiscal year 2005 and fiscal year 2006 revenue levels, respectively.

The Federal Highway Administration (FHWA) provides federal aid apportionments to states from the Highway Trust Fund (HTF). In federal fiscal year 2014, Arizona received \$705.3 million in federal aid apportionments. In the summer of 2014, the HTF was on the brink of insolvency and warned that reimbursements to states may be delayed if Congress did not take action. Ultimately, Congress did pass legislation which provided a one-time cash infusion to the HTF to avert insolvency through May of 2015, but the HTF will need additional funds to meet its obligations beyond this timeframe.

Historic HURF and RARF Revenues

Fiscal Year-End Revenues by Fund (\$ in Millions)

FUND	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RARF	\$316.8	\$367.6	\$392.5	\$380.1	\$328.2	\$299.0	\$309.2	\$324.2	\$341.6	\$365.6
HURF	\$1,245.6	\$1,331.6	\$1,382.5	\$1,344.5	\$1,248.6	\$1,194.4	\$1,205.1	\$1,210.6	\$1,210.0	\$1,241.3



HURF = \$1,241.3
RARF = \$365.6

FY 2014 HURF and RARF revenues were at FY 2005 and FY 2006 levels, respectively.

FY 2014 HURF HIGHLIGHTS

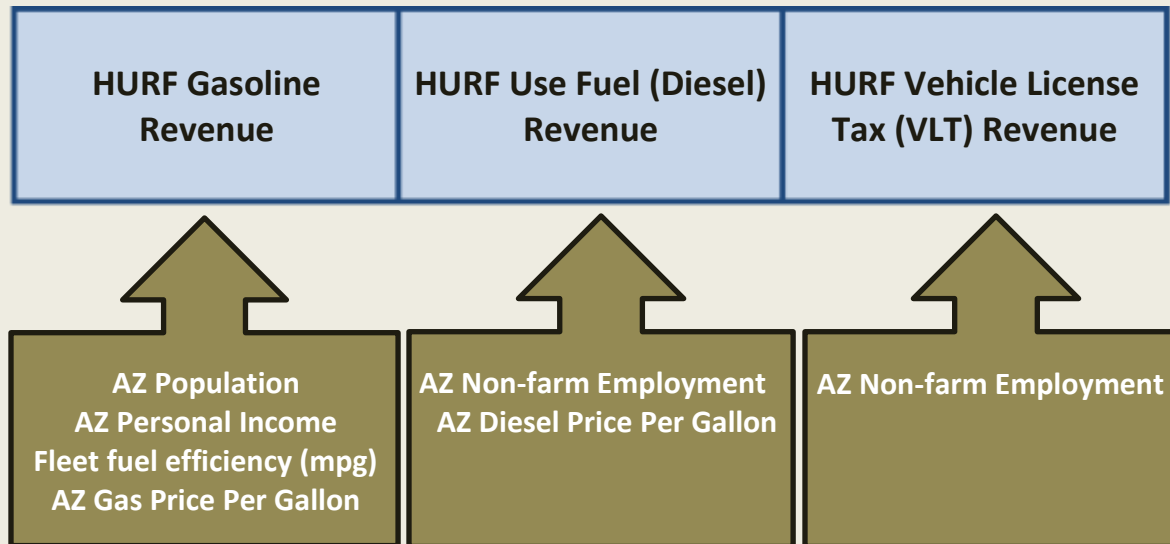
- Fiscal year 2014 HURF revenues totaled \$1,241.3 million, which was 2.6 percent above FY 2013. This is the strongest year-over-year growth seen since the Great Recession.
- The vehicle license tax revenue category experienced the strongest rate of growth in FY 2014 at 6.7 percent.
- Vehicle license tax was the only revenue category that registered positive year-over-year growth every month in FY 2014.
- Fuel tax revenues, which accounted for 51 percent of HURF, continued to have little or no growth.

FY 2014 RARF HIGHLIGHTS

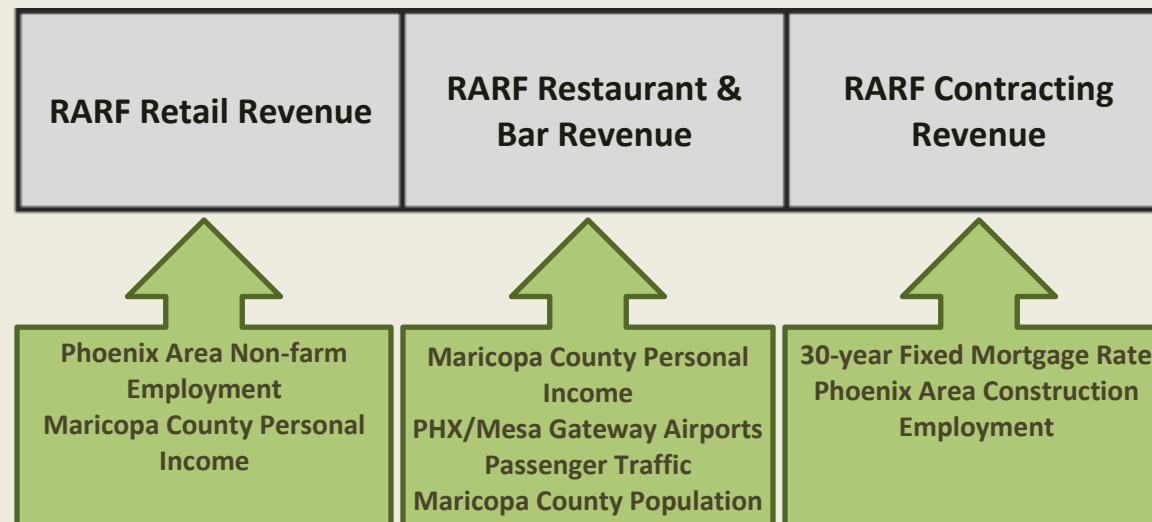
- RARF collections were \$365.6 million in fiscal year 2014, which was 7.0 percent greater than FY 2013 revenues.
- RARF revenues have posted four years of positive growth, however, revenues remained at FY 2006 levels.
- Although FY 2014 contracting revenues grew 14.0 percent compared to last fiscal year, a slowdown in the Phoenix real estate market in the last quarter of the fiscal year tempered contracting revenue growth in the last three months of FY 2014.

ECONOMIC HIGHLIGHTS: ECONOMIC FACTORS INFLUENCING ARIZONA TRANSPORTATION REVENUE SOURCES

Motor fuel taxes and various fees related to the operation of motor vehicles are collected by the State of Arizona and deposited into the Highway User Revenue Fund (HURF). Therefore, statewide economic factors affect HURF revenues.

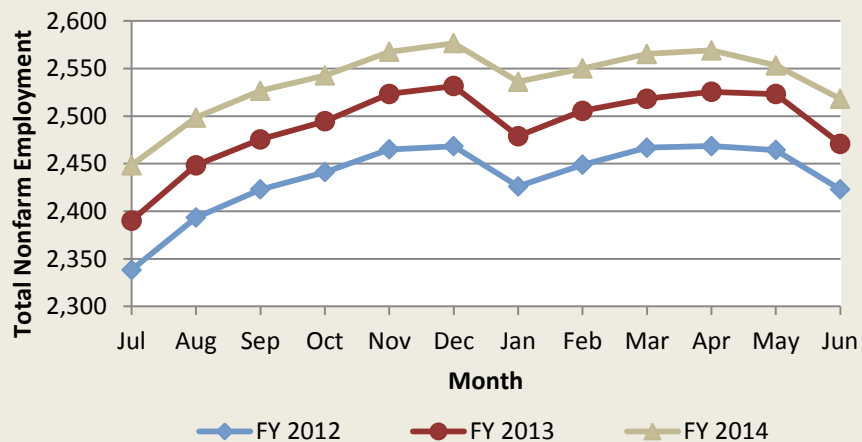


Maricopa County voters approved a ½ cent sales tax (RARF) on business activities in the county. Therefore, Maricopa County economic factors affect RARF revenues.



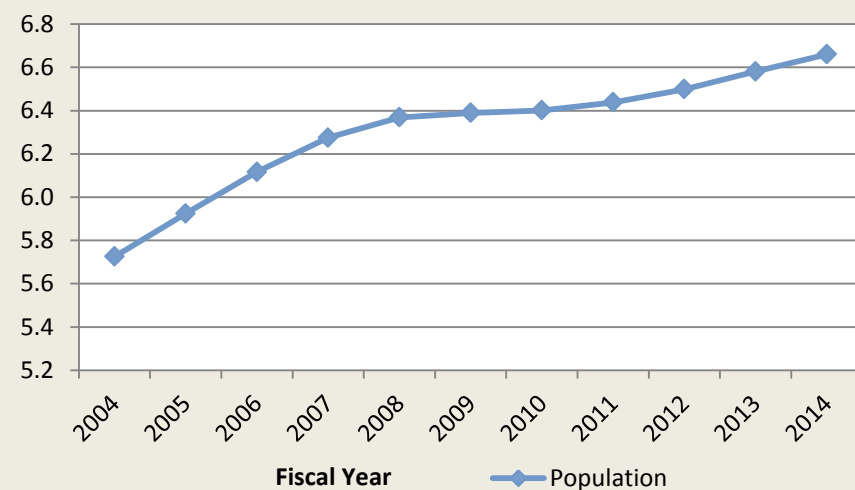
ECONOMIC HIGHLIGHTS: ECONOMIC INDICATORS

Jobs - Arizona Total Nonfarm Employment (in Thousands)

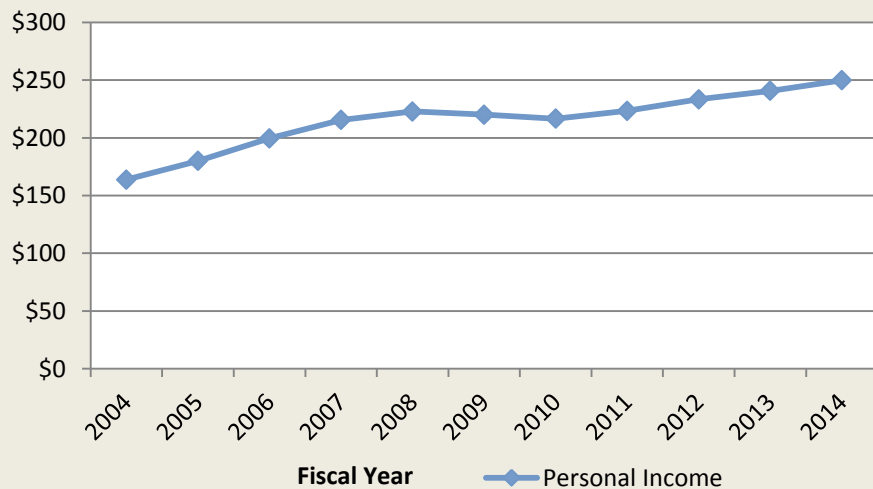


Source: Bureau of Labor Statistics Not Seasonally Adjusted total nonfarm employment

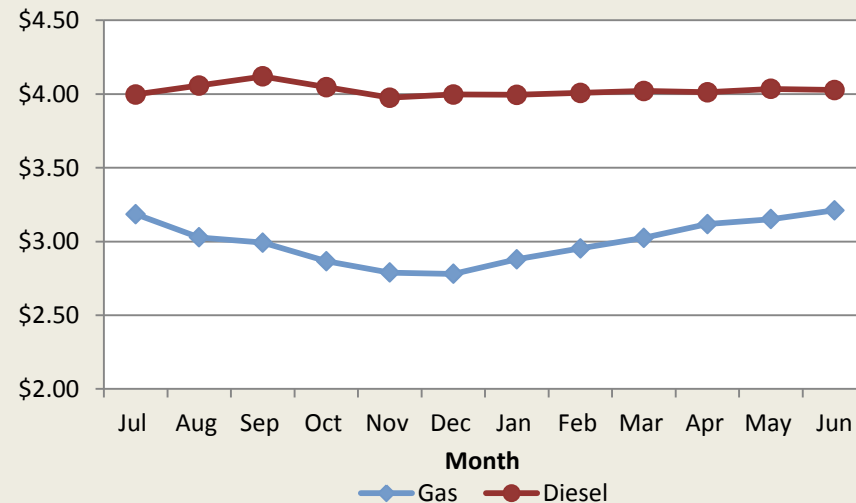
Arizona Population (in Millions)



Arizona Personal Income (\$ in Millions)



Arizona Gas and Diesel Price Per Gallon in FY 2014



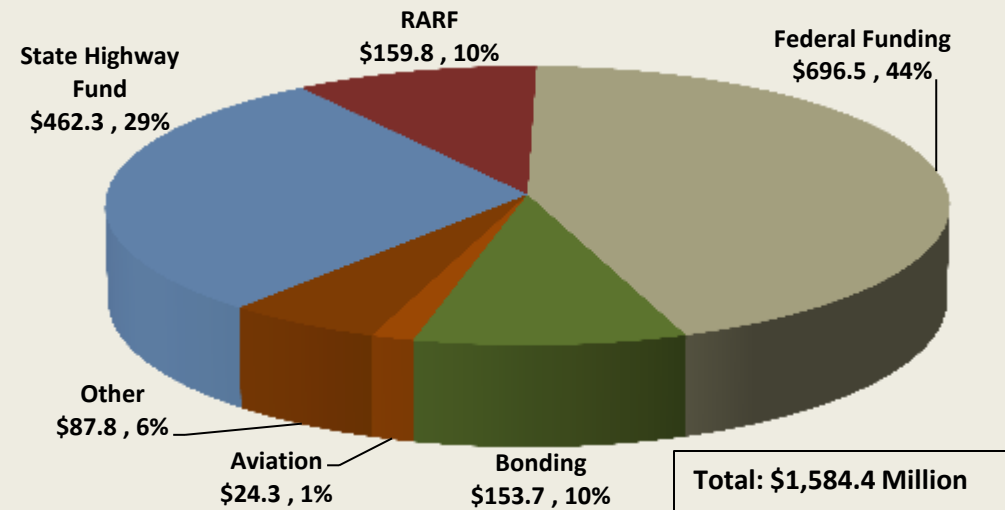
Sources and Uses

SOURCES AND USES: FY 2014

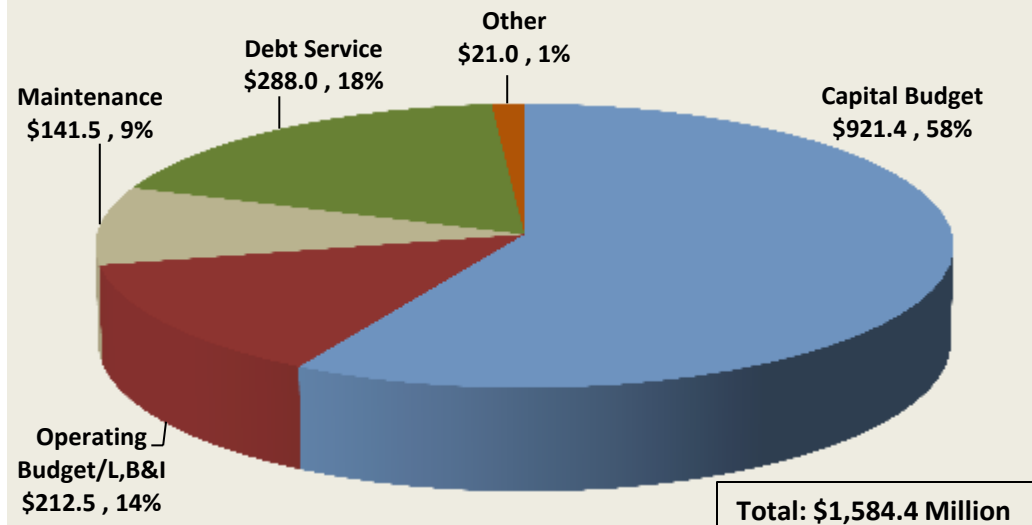
Highlights

- The Department's FY 2014 Financial Program totaled \$1.58 billion. The major funding Sources and Uses are detailed in the pie charts to the right.
- The Department's primary funding source in FY 2014 was Federal Funds which accounted for 44 percent of the funding followed by the State Highway Fund at 29 percent of funding. Bonding accounted for 10 percent, the Regional Area Road Fund (RARF) totaled 10 percent and Aviation and Other combined amounted to 7 percent.
- The majority of the uses of funding were the Capital Budget at 58 percent along with Debt Service at 18 percent and Operating Budget/Land, Buildings and Improvements (L,B&I) at 14 percent. The remaining uses were Maintenance at 9 percent and Other at 1 percent.

Sources (\$ in Millions)



Uses (\$ in Millions)



Revenue Sources

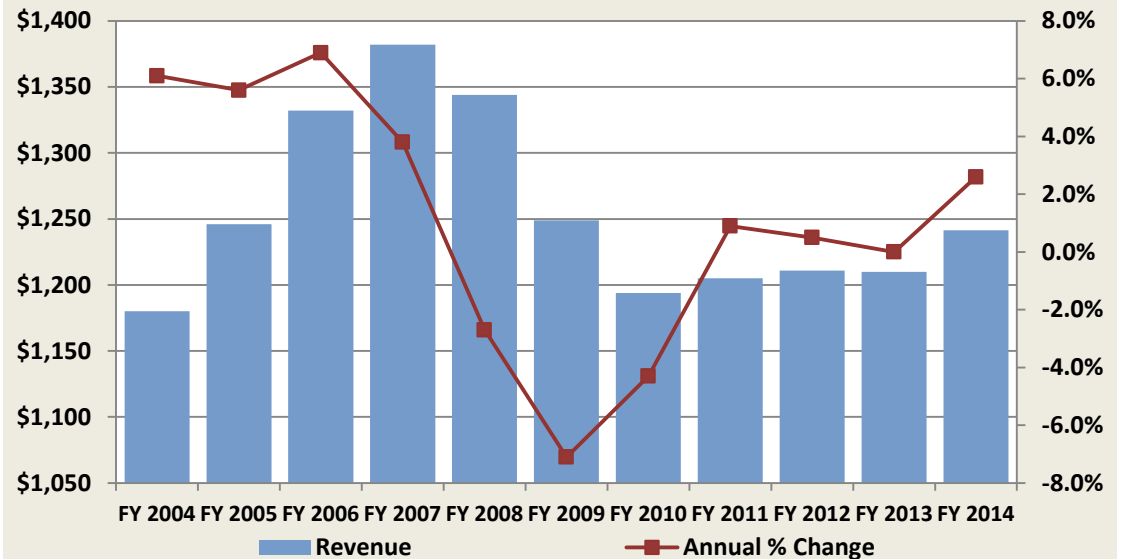
Highway User Revenue Fund

HIGHWAY USER REVENUE FUND (HURF)

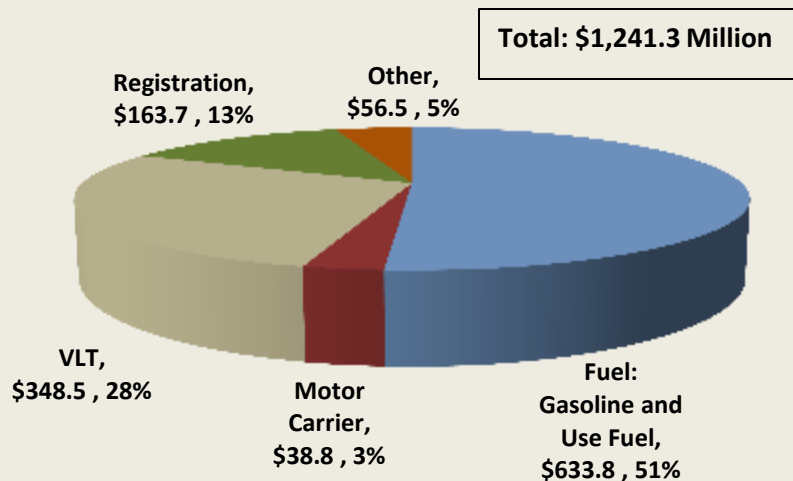
Highlights

- Fiscal year 2014 HURF revenues totaled \$1,241.3 million, which was 2.6 percent above FY 2013. This was the strongest year-over-year growth seen since the Great Recession. Even so, FY 2014 HURF revenues are approximately at the levels seen in FY 2005.
- Four of the six HURF revenue categories experienced positive year-over-year growth rates, but growth was strongest in the vehicle license tax (VLT) category at 6.7 percent.
- Vehicle license tax was the only revenue category that registered positive year-over-year growth every month in FY 2014.

Revenue History (\$ in Millions)



HURF Sources: FY 2014 (\$ in Millions)



Monthly Comparisons (\$ in Thousands)

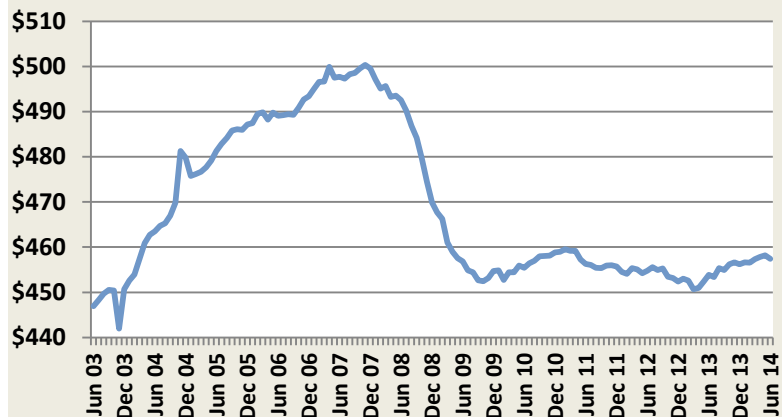
	FY 2013 Actual	FY 2014 Actual	Change	FY 2014 Estimate	Change
July	\$97,577	\$104,799	7.4%	\$101,691	3.1%
August	101,151	99,277	-1.9%	99,284	0.0%
September	100,314	102,824	2.5%	102,768	0.1%
October	94,632	99,475	5.1%	98,866	0.6%
November	96,347	98,260	2.0%	97,708	0.6%
December	101,776	102,062	0.3%	100,696	1.4%
January	100,290	107,186	6.9%	103,474	3.6%
February	103,971	103,713	-0.2%	104,535	-0.8%
March	100,260	103,084	2.8%	101,092	2.0%
April	109,220	113,312	3.7%	110,570	2.5%
May	101,381	101,631	0.2%	99,332	2.3%
June	103,106	105,711	2.5%	104,284	1.4%
Total	\$1,210,024	\$1,241,332	2.6%	\$1,224,300	1.4%

HIGHWAY USER REVENUE FUND: GAS TAX

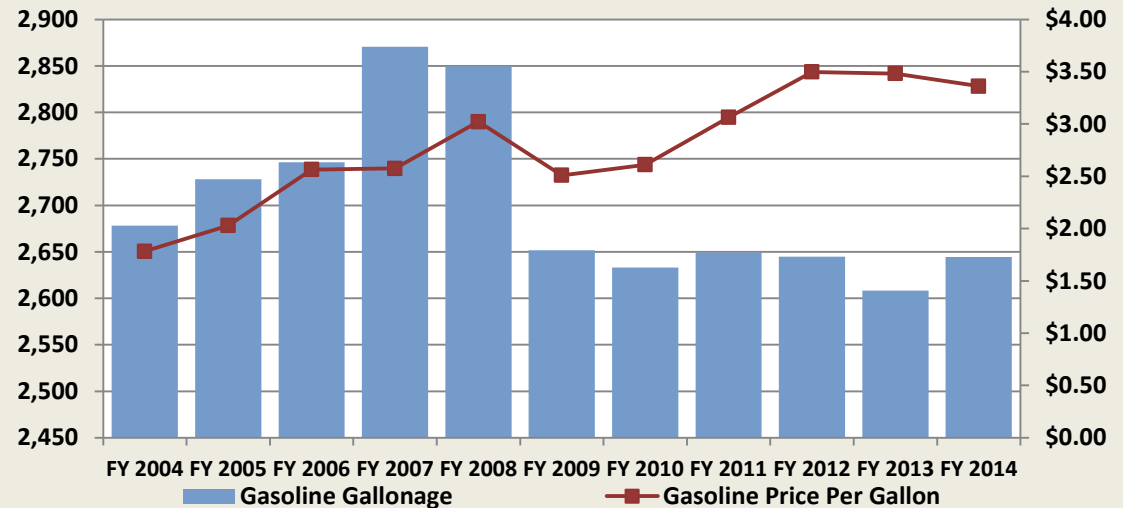
Highlights

- Gasoline gallonage sold increased from 2.608 billion gallons in FY 2013 to 2.645 billion gallons in FY 2014, a 1.4 percent increase. Despite this increase, gasoline gallonage sold in FY 2014 remained significantly below the peak in FY 2007.
- Gasoline price per gallon has decreased over the past three fiscal years, from \$3.50 in FY 2012 to \$3.48 in FY 2013 to \$3.36 in FY 2014.
- State Gas Tax Revenue Per Capita has decreased from \$81 in FY 2004 to \$69 in FY 2014. Factors that contributed to the decrease in Gas Tax Revenue Per Capita include curtailed consumer gasoline consumption and modest state population growth.
- FY 2014 Gas Tax revenues of \$457.4 million were below FY 2004 Gas Tax collections of \$463.5 million.

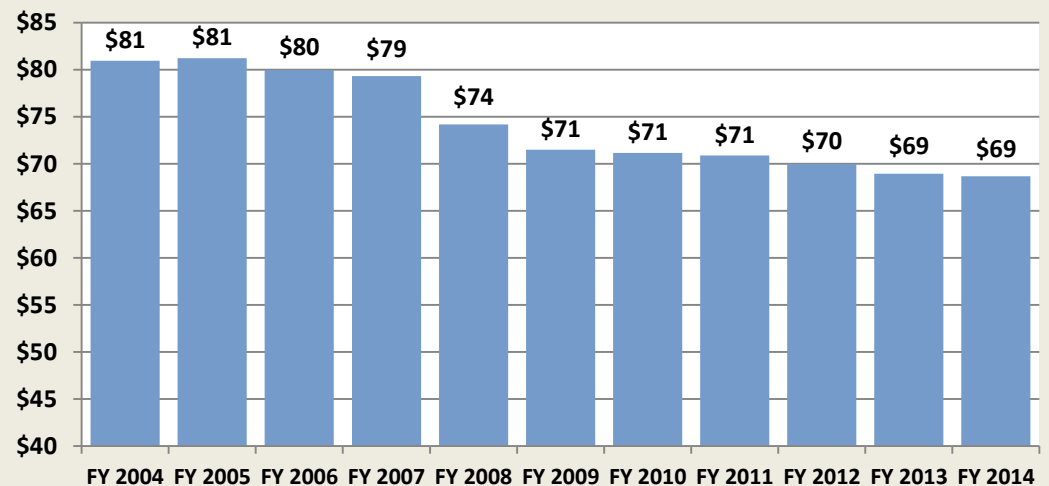
Gas Tax 12-Month Rolling Total (\$ in Millions)



Gasoline Gallons Sold and Price Per Gallon (Gallonage in Millions)



State Gas Tax Revenue Per Capita

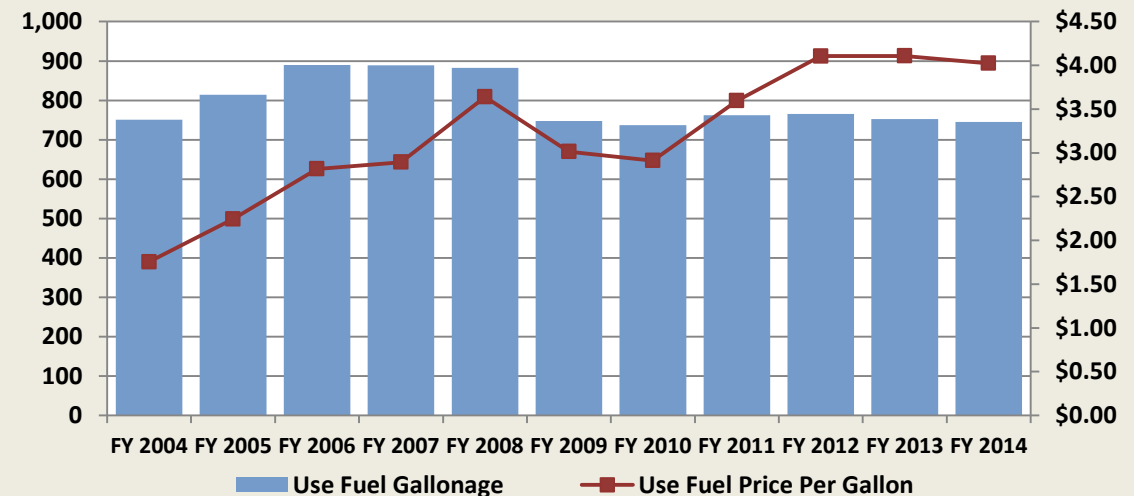


HIGHWAY USER REVENUE FUND: USE FUEL TAX (DIESEL)

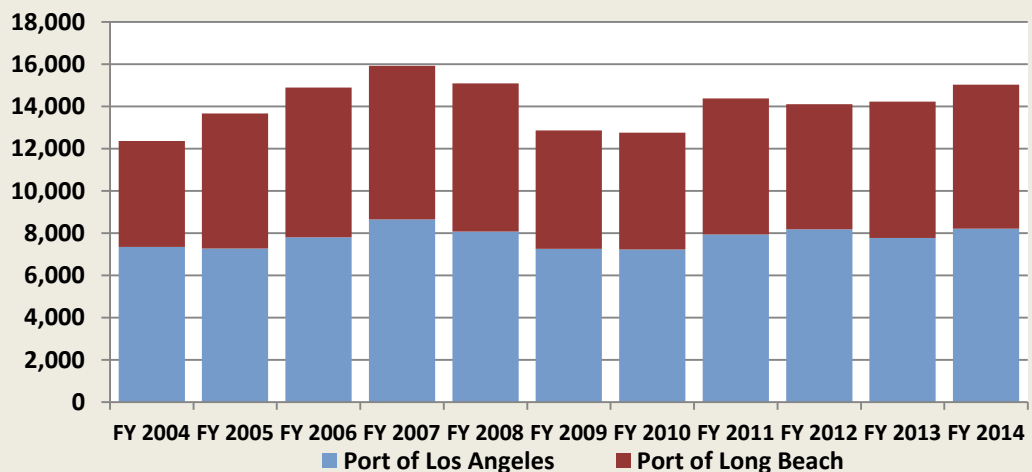
Highlights

- Use Fuel gallonage consumed decreased from 752.7 million gallons in FY 2013 to 745.4 million gallons in FY 2014, a decrease of 1.0 percent.
- Use Fuel tax collections were tracking 1.6 percent above FY 2013 through the first half of FY 2014, but the harsh winter that swept across most of the United States brought the national economy to a standstill in the third quarter of the fiscal year which ultimately reduced the commercial truck traffic in Arizona.
- Use Fuel price per gallon in FY 2014 decreased nine cents per gallon from FY 2013, while the use fuel gallonage consumed in FY 2014 remained approximately 144 million gallons below the peak in FY 2006.
- A direct relationship typically exists between the Port of Los Angeles and Port of Long Beach shipping container volume and use fuel consumption in Arizona because of the movement of goods from California through Arizona to destinations throughout the United States. Shipping container volume at the two major ports in California peaked in FY 2007 during the economic boom and experienced a sharp drop in FY 2009 and FY 2010 during the Great Recession. Container volume increased 5.6 percent in FY 2014 from FY 2013, but was still below FY 2008 levels.

Gallons Consumed and Price Per Gallon (Gallonage in Millions)



Shipping Container Volume (Volume in Thousands of TEUs)



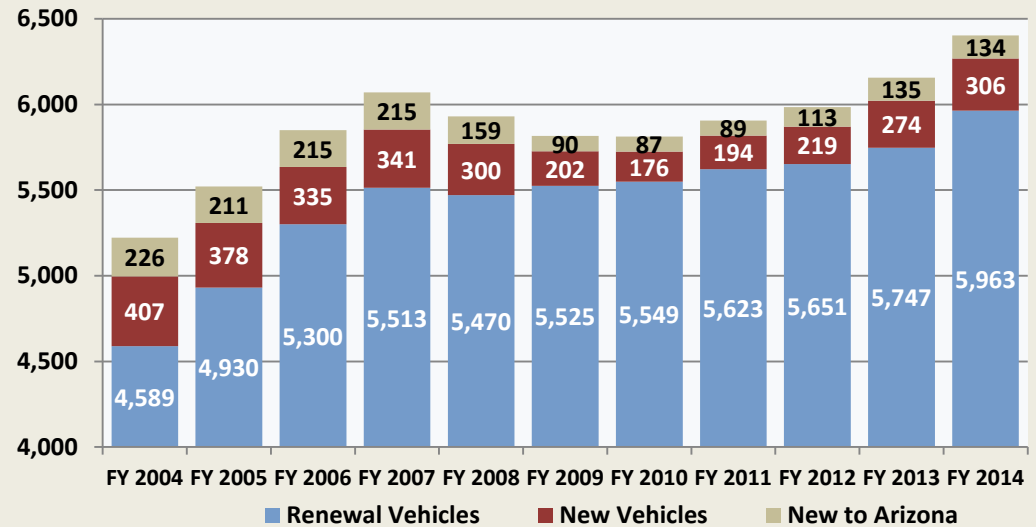
TEU (Twenty-foot equivalent unit) - a maritime industry standardized measurement used for counting cargo containers of differing lengths.

HIGHWAY USER REVENUE FUND: VEHICLE LICENSE TAX (VLT)

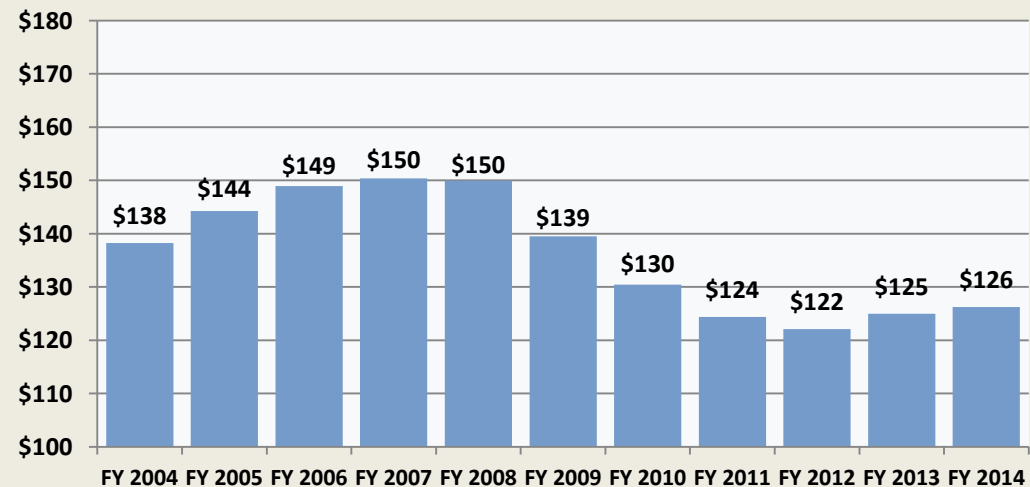
Highlights

- FY 2014 VLT revenues increased 6.7 percent above FY 2013 which represented the strongest year-over-year growth since FY 2007.
- The number of vehicles that paid the VLT increased from 5.2 million in FY 2004 to 6.3 million in FY 2014.
- Pent-up demand caused by the Great Recession and a modestly improving Arizona economy have positively affected new motor vehicle sales over the last three fiscal years, although the growth rate decreased to 11.7 percent in FY 2014 from 24.9 percent in FY 2013.
- The renewal motor vehicle fleet experienced an increase of over 200,000 vehicles in FY 2014, which was the result of some of the new motor vehicle and new to Arizona vehicle registrations from FY 2013 becoming renewal motor vehicle registrations in FY 2014.

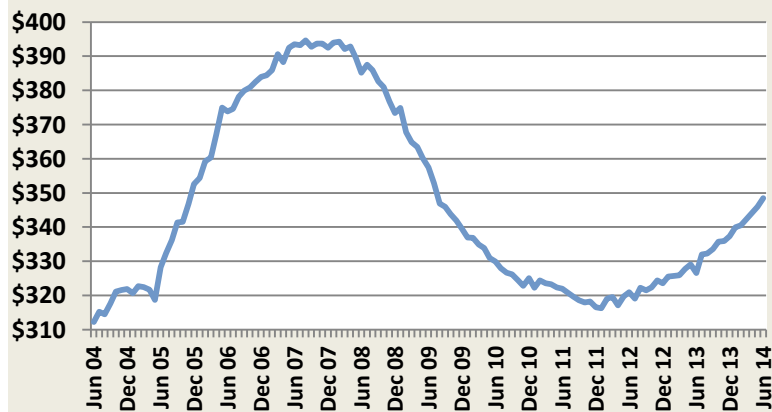
Vehicle Count by Class (in Thousands)



Average VLT Paid per Vehicle



VLT Revenue 12-Month Rolling Total (\$ in Millions)



HIGHWAY USER REVENUE FUND: COLLECTIONS AND DISTRIBUTIONS (\$ IN THOUSANDS)

Collections								
Fiscal Year	Gas Tax	Use Fuel Tax	Motor Carrier	Vehicle License Tax	Registration	Other	Total	Percent Change
2004	\$463,531	\$179,002	\$34,617	\$312,262	\$146,638	\$43,510	\$1,179,561	6.1%
2005	481,284	194,368	37,980	328,232	154,122	49,567	1,245,553	5.6%
2006	489,081	213,460	40,504	373,864	158,805	55,911	1,331,625	6.9%
2007	497,702	210,282	45,226	393,497	177,788	57,979	1,382,474	3.8%
2008	492,536	207,859	40,177	385,186	162,765	55,953	1,344,477	-2.7%
2009	456,812	173,931	40,483	357,498	167,565	52,294	1,248,583	-7.1%
2010	455,436	171,308	35,807	329,915	152,236	49,714	1,194,417	-4.3%
2011	456,299	178,684	36,300	322,017	156,148	55,626	1,205,073	0.9%
2012	454,770	180,242	37,350	320,979	158,124	59,122	1,210,586	0.5%
2013	453,851	177,240	37,310	326,541	157,801	57,280	1,210,024	0.0%
2014	457,415	176,368	38,842	348,509	163,715	56,484	1,241,332	2.6%
Total	\$5,158,717	\$2,062,745	\$424,598	\$3,798,499	\$1,755,707	\$593,439	\$13,793,705	

Distributions									
FISCAL YEAR	STATE HIGHWAY FUND	MAG 12.6% / 2.6% MONIES	PAG 12.6% / 2.6% MONIES	CITIES AND TOWNS	COUNTIES	ARIZONA DEPARTMENT OF PUBLIC SAFETY	ECONOMIC STRENGTH PROJECT FUND	OTHER MISCELLANEOUS APPROPRIATIONS	TOTAL
2004	\$483,688	\$65,024	\$21,675	\$344,491	\$214,601	\$48,698	\$1,000	\$383	\$1,179,561
2005	410,362	55,167	18,389	363,535	226,464	52,216	1,000	118,420	1,245,553
2006	539,865	72,576	24,192	386,128	240,538	66,693	1,000	633	1,331,625
2007	584,531	78,581	26,194	418,114	260,465	12,983	1,000	607	1,382,474
2008	565,381	76,006	25,335	404,434	251,942	12,913	1,000	7,465	1,344,477
2009	442,020	59,422	19,807	356,458	222,056	86,912	1,000	60,908	1,248,583
2010	437,848	58,862	19,621	339,823	211,693	81,118	1,000	44,453	1,194,417
2011	441,554	59,360	19,787	342,892	213,605	81,615	1,000	45,260	1,205,073
2012	328,878	44,212	14,737	304,092	193,524	125,607	1,000	198,535	1,210,586
2013	460,839	61,952	20,651	332,234	206,965	122,320	1,000	4,063	1,210,024
2014	474,132	63,739	21,246	342,230	213,192	120,208	1,000	5,585	1,241,332
Total	\$5,169,098	\$694,902	\$231,634	\$3,934,430	\$2,455,046	\$811,282	\$11,000	\$486,312	\$13,793,705

Highway User Revenue Fund

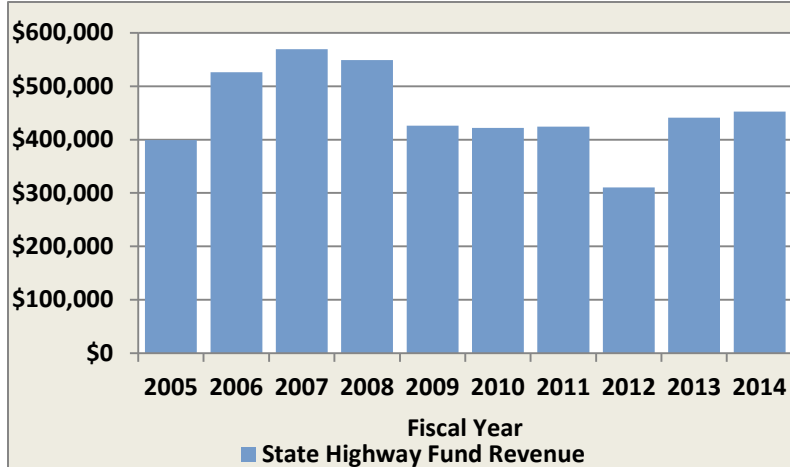
- State Highway Fund

STATE HIGHWAY FUND

Highlights

- The State Highway Fund (SHF) receives 50.5 percent of the HURF revenue that is available for distribution after all “off the top” appropriations have been made.
- In FY 2014, gross HURF distributions to the SHF totaled \$537.8 million. After various statutory, policy and appropriated distributions, the SHF received a net of \$452.3 million for the year.
- The State Highway Fund is impacted by both the health of the economy and transfers established by legislative appropriation.
- Since FY 2007, State Highway Funds available for construction have been positive only twice; first in FY 2013 and again in FY 2014.

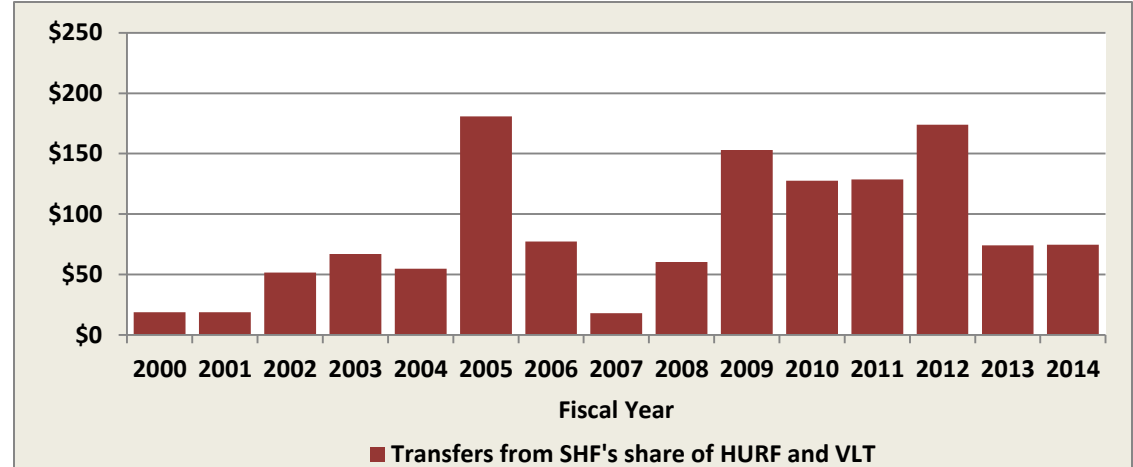
Net State Highway Fund Revenue History (\$ in Thousands)



State Highway Funds (\$ in Thousands)

	<u>FY 12 Actual</u>	<u>FY 13 Actual</u>	<u>FY 14 Actual</u>
HURF Collections	\$1,210,586	\$1,210,024	\$1,241,332
Less: Economic Strength Fund	1,000	1,000	1,000
MVD for Registration Compliance Program	663	625	672
Transfer To Automation Projects Fund			5
Reversion from MVD Operations (FY 2012)		(765)	
Department of Public Safety Transfer	123,211	119,873	117,592
ADOT - MVD Funding	88,691		
Net HURF Available for Distribution	\$997,022	\$1,089,291	\$1,122,064
Less: Cities	304,092	332,234	342,230
Counties	189,434	206,965	213,192
MAG/PAG (12.6% & 2.6% Funds)	58,950	82,603	84,986
DPS Parity Compensation Fund	2,396	2,447	2,616
MVD Third Party Retainage (2% of VLT or \$4)	18,667	19,696	21,822
State General Fund	105,822		
State General Fund (Five-Year VLT)	1,234	1,048	1,205
State General Fund (Abandoned Vehicle Fee-VLT)	2,126	3,155	3,704
Counties (10 least populated)	4,090		
Net State Highway Fund	\$310,211	\$441,142	\$452,310
Plus Other Income:			
MVD Retained Fees	16,352	16,920	14,239
Miscellaneous Receipts	12,486	14,547	27,960
Transfer from SETIF	448		
HURF Transfers for MVD Funding	663	625	672
Less: Operating Budget	242,048	335,809	336,634
Capital Outlay and Building Renewal	1,270	793	2,268
Capital Non-Lapsing Carryovers			
Department of Public Safety Transfer from Highway Fund	0	6,780	6,744
Transfer To Automation Projects Fund			2,348
Debt Service	110,675	110,223	112,237
Net State Highway Funds Available for Construction	(\$13,834)	\$19,629	\$34,949

Transfers Taken from State Highway Fund's Share of HURF and VLT (\$ in Millions)



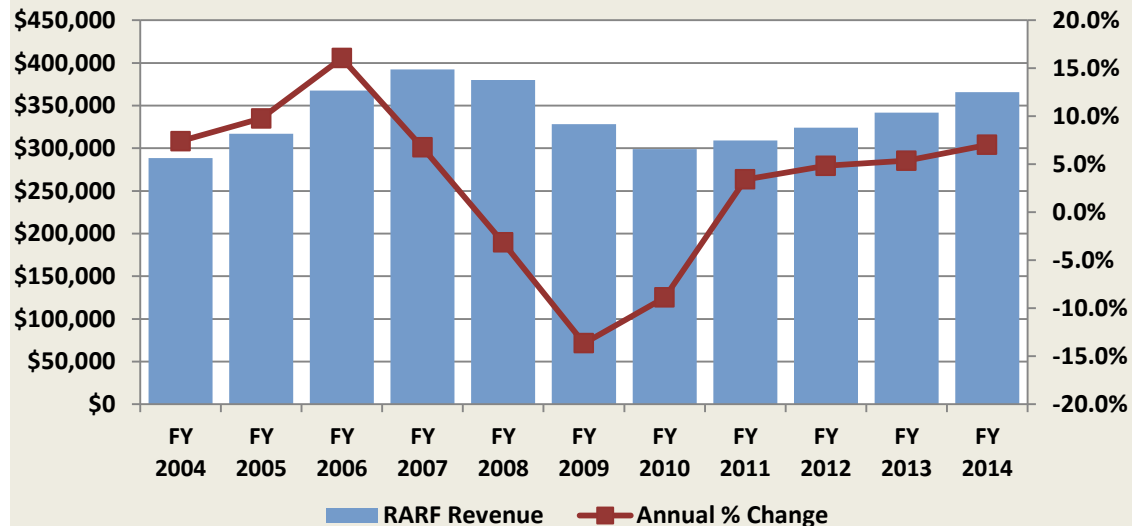
Regional Area Road Fund

REGIONAL AREA ROAD FUND (RARF)

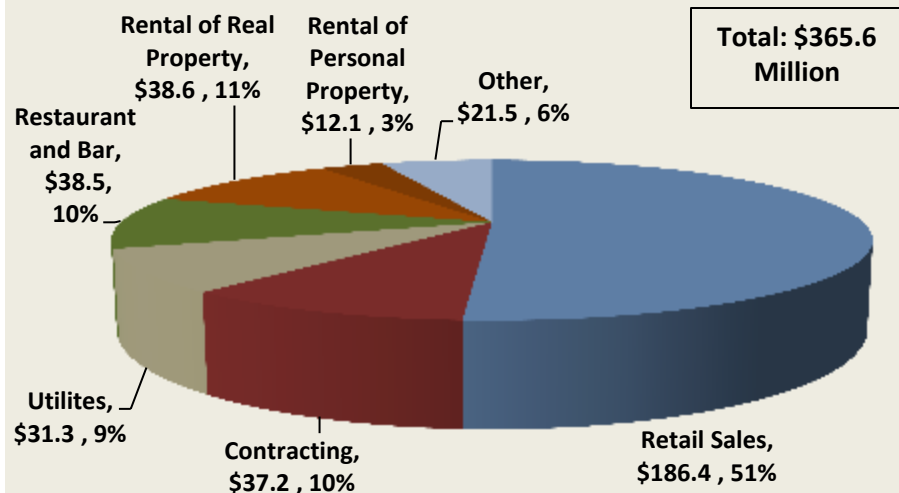
Highlights

- FY 2014 RARF revenues totaled \$365.6 million, an increase of 7.0 percent over FY 2013.
- Total RARF revenues have posted four consecutive years of positive growth, however, FY 2014 revenues still remained at FY 2006 levels.
- Compared to FY 2013, all of the major RARF revenue categories, except Rental of Personal Property, experienced positive year-over-year growth.
- In FY 2014, Contracting revenues experienced double digit year-over-year growth rates until the 4th quarter of the fiscal year, when a slowdown in the Phoenix real estate market tempered growth in this category.

Revenue History (\$ in Thousands)



RARF Sources: FY 2014 (\$ in Millions)



Monthly Comparisons (\$ in Thousands)

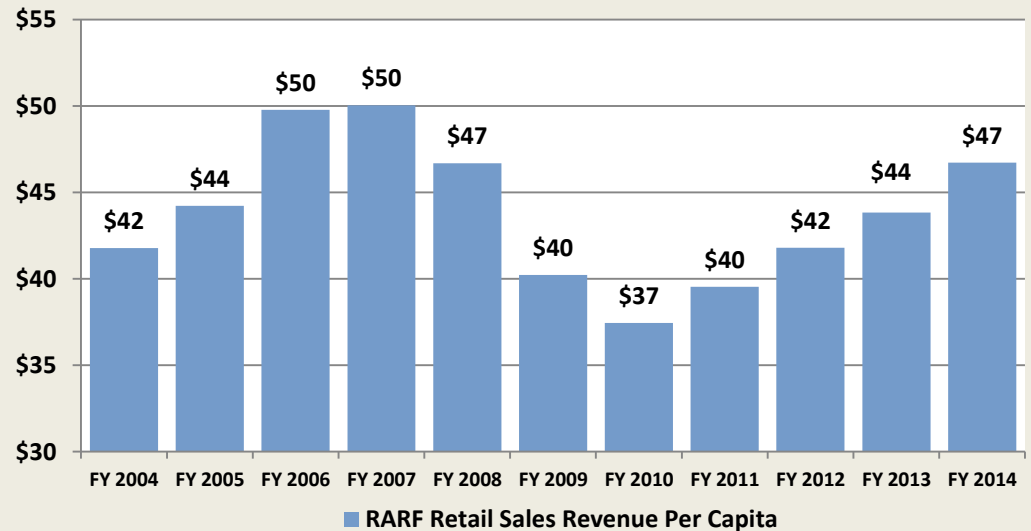
	FY 2013 Actual	FY 2014 Actual	Change	FY 2014 Estimate	Change
July	\$28,653	\$29,651	3.5%	\$29,902	-0.8%
August	26,183	28,798	10.0%	27,858	3.4%
September	27,053	29,076	7.5%	28,831	0.8%
October	27,053	28,969	7.1%	29,237	-0.9%
November	27,239	29,171	7.1%	28,593	2.0%
December	27,539	29,881	8.5%	29,414	1.6%
January	32,815	37,604	14.6%	34,995	7.5%
February	27,236	28,423	4.4%	28,923	-1.7%
March	27,416	29,753	8.5%	29,580	0.6%
April	31,325	32,940	5.2%	33,015	-0.2%
May	28,999	30,387	4.8%	30,663	-0.9%
June	30,066	30,908	2.8%	30,989	-0.3%
Total	\$341,577	\$365,561	7.0%	\$362,000	1.0%

REGIONAL AREA ROAD FUND: RETAIL SALES

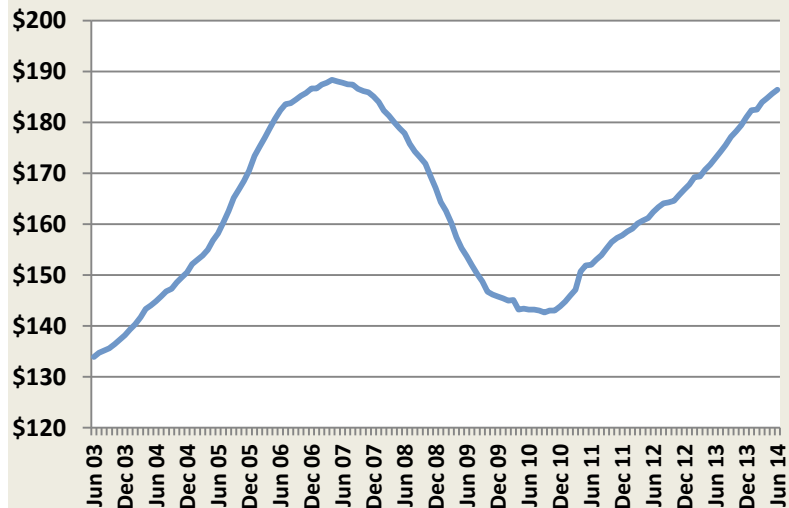
Highlights

- Retail sales was the largest category and was responsible for 51 percent of total RARF revenues in FY 2014.
- RARF retail sales revenue has a direct relationship with personal income and non-farm employment in the Greater Phoenix Area.
- RARF retail sales revenue per capita have increased over the last four consecutive fiscal years, but FY 2014 was still below the peak in FY 2007.
- Greater Phoenix per capita personal income and non-farm employment have steadily increased since FY 2010, but FY 2014 non-farm employment levels remained below the peak experienced in FY 2007.
- Based on the 12-month rolling total, FY 2014 RARF retail sales tax revenues of \$186.4 million were almost back to the levels seen in FY 2007.

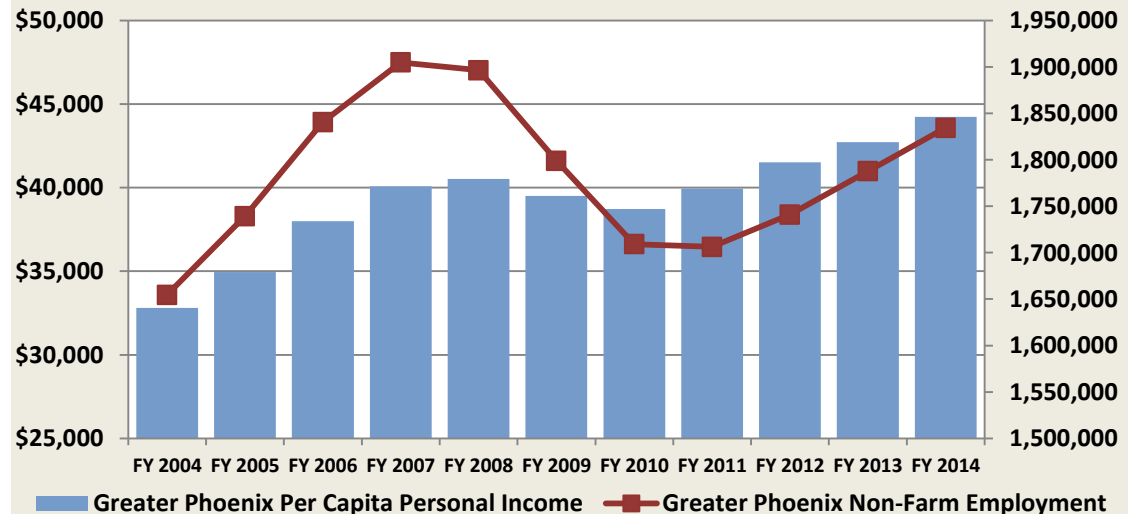
RARF Retail Sales Revenue Per Capita



RARF Retail Sales Tax 12-Month Rolling Total (\$ in Millions)



Greater Phoenix Per Capita Personal Income and Non-Farm Employment

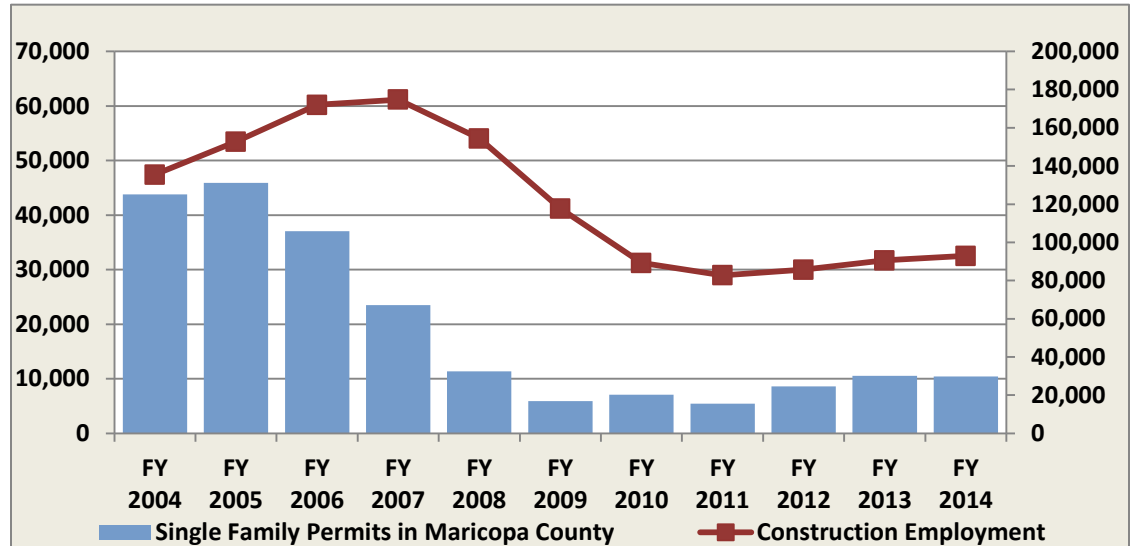


REGIONAL AREA ROAD FUND: CONTRACTING

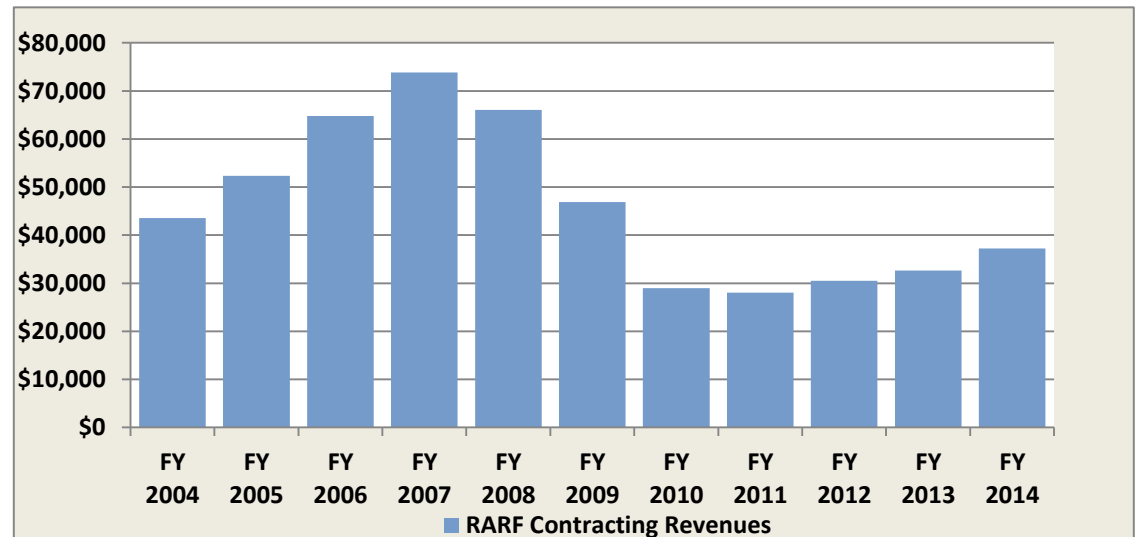
Highlights

- FY 2014 RARF contracting revenues were \$37.2 million, an increase of 14.0 percent above FY 2013. Year-over-year growth rates in this category were in double digits until the 4th quarter of the fiscal year, when a slowdown in the Phoenix real estate market tempered contracting revenue growth particularly when compared to the large growth rates experienced in the 4th quarter of FY 2013.
- Single family housing permits are a leading indicator of construction activity to come, as permits must be purchased before structures can be built. Single family housing permits in Maricopa County peaked in FY 2005, while construction employment and RARF contracting revenue peaked in FY 2007.
- The contract rates for 30 year, fixed-rate conventional home mortgages experienced in FY 2014 were still well below pre-recession levels.

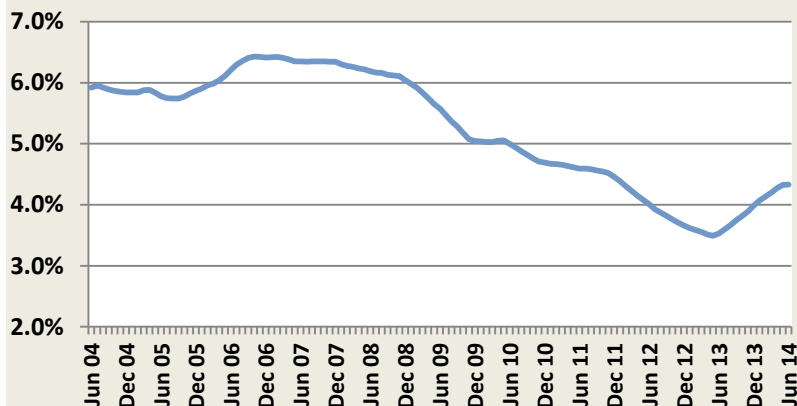
Greater Phoenix Single Family Permits and Construction Employment



Contracting Revenue (\$ in Thousands)



Contract Rate on 30 Year, Fixed-Rate Conventional Home Mortgages 12-Month Rolling Average

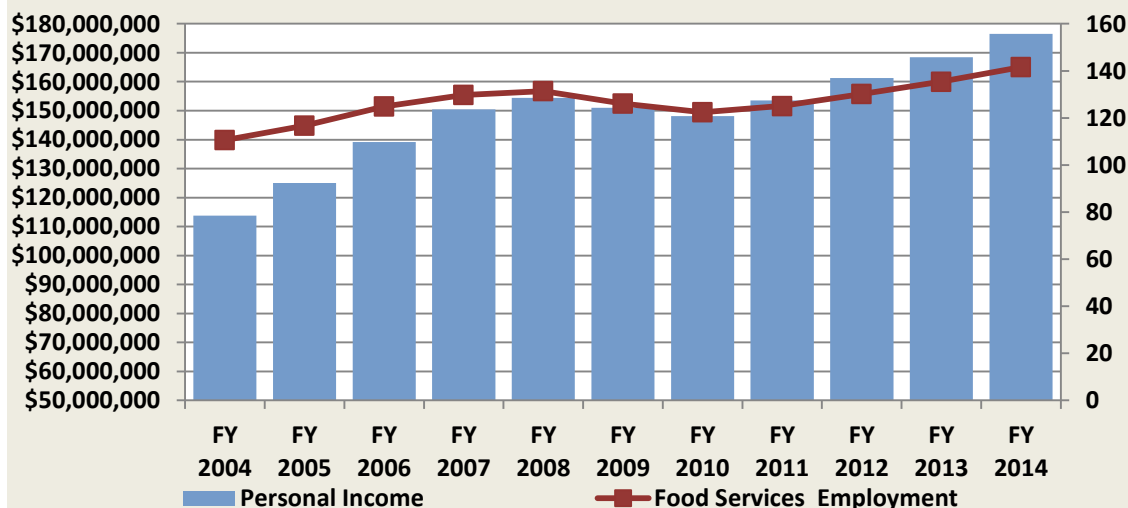


REGIONAL AREA ROAD FUND: RESTAURANT AND BAR

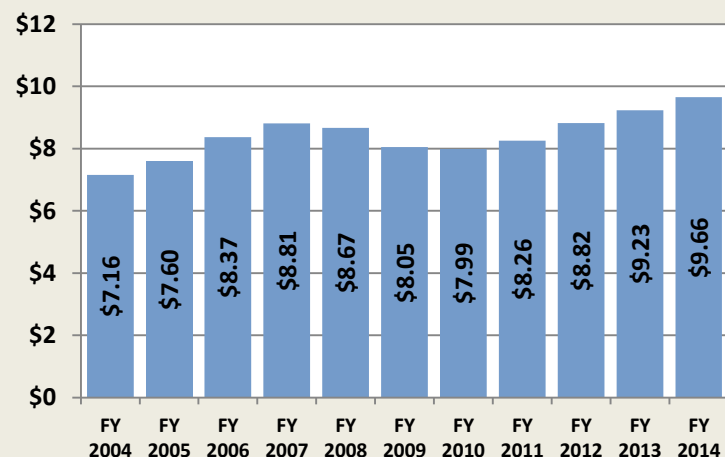
Highlights

- Phoenix Sky Harbor passenger counts and personal income in the Greater Phoenix Area both typically exhibit a direct relationship with RARF restaurant and bar revenues.
- Greater Phoenix personal income has steadily increased over the past four years as has RARF restaurant and bar revenue per capita.
- Food service employment within the Greater Phoenix Area was estimated at 141,600 in FY 2014 compared to 135,400 in FY 2013.
- June was the seventh consecutive month of FY 2014 that the Phoenix Sky Harbor passenger count was higher than the same month of the previous year.

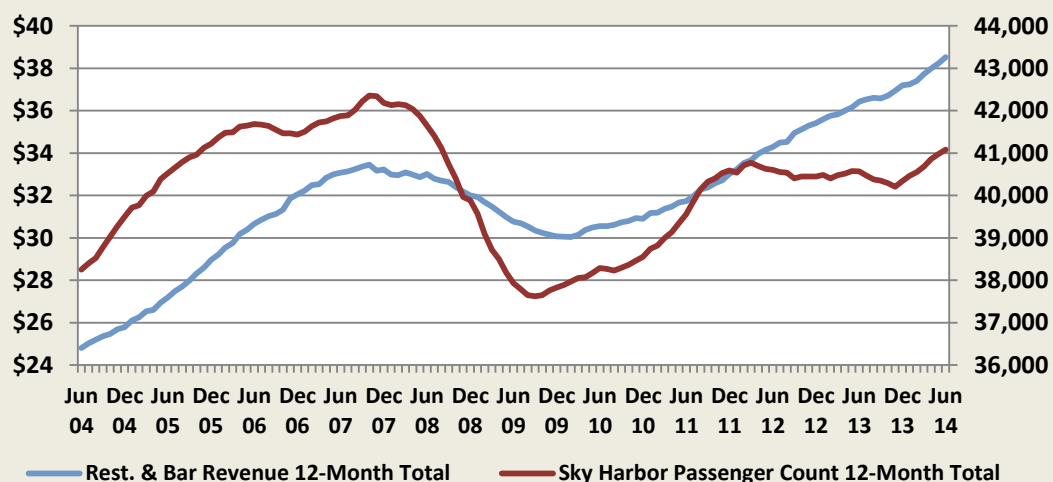
Greater Phoenix Personal Income and Food Services Employment (In Thousands)



RARF Restaurant & Bar Revenue Per Capita



Restaurant & Bar Revenue and Phoenix Sky Harbor Passenger Count 12-Month Rolling Total (\$ in Millions, Passenger count in Thousands)



REGIONAL AREA ROAD FUND: COLLECTIONS AND DISTRIBUTIONS (\$ IN THOUSANDS)

Collections									
Fiscal Year	Retail Sales	Contracting	Utilities	Resturant & Bar	Rental of Real Property	Rental of Personal Property	Other	Total	Percent Change
2004	\$144,817	\$43,524	\$19,980	\$24,807	\$27,163	\$12,631	\$15,678	\$288,600	7.4%
2005	158,179	52,325	20,813	27,191	29,310	12,624	16,364	316,806	9.8%
2006	182,378	64,822	23,600	30,656	32,949	13,923	19,309	367,637	16.0%
2007	187,817	73,864	26,697	33,073	36,398	15,053	19,548	392,452	6.7%
2008	177,845	66,046	28,630	33,021	38,605	15,111	20,808	380,066	-3.2%
2009	153,681	46,865	28,511	30,763	37,757	13,470	17,139	328,186	-13.7%
2010	143,205	28,953	29,385	30,558	35,825	11,983	19,115	299,024	-8.9%
2011	152,003	28,012	29,511	31,729	35,731	11,606	20,643	309,234	3.4%
2012	162,391	30,513	30,217	34,278	36,415	11,966	18,389	324,170	4.8%
2013	172,935	32,661	30,976	36,429	38,096	12,130	18,349	341,577	5.4%
2014	186,406	37,243	31,271	38,532	38,547	12,092	21,470	365,561	7.0%
TOTAL	\$1,821,656	\$504,829	\$299,592	\$351,036	\$386,796	\$142,589	\$206,812	\$3,713,311	
Distributions									
FISCAL YEAR	REGIONAL AREA ROAD FUND (RARF)				PUBLIC TRANSPORTATION FUND		TOTAL		
	FREEWAYS	MAG/VALLEY METRO	ARTERIAL STREETS						
2004	\$281,012	\$7,588						\$288,600	
2005	309,092	7,713						316,806	
2006	292,487	7,877			\$16,127		\$51,146	367,637	
2007	213,119	8,095			41,050		130,188	392,452	
2008	205,576	8,334			39,832		126,324	380,066	
2009	176,235	8,555			34,376		109,020	328,186	
2010	159,604	8,742			31,327		99,351	299,024	
2011	165,321	8,845			32,379		102,689	309,234	
2012	173,334	8,928			34,019		107,889	324,170	
2013	182,806	9,119			35,875		113,776	341,577	
2014	196,106	9,283			38,397		121,774	365,561	
Total	\$2,354,691	\$93,079			\$303,383		\$962,157	\$3,713,311	

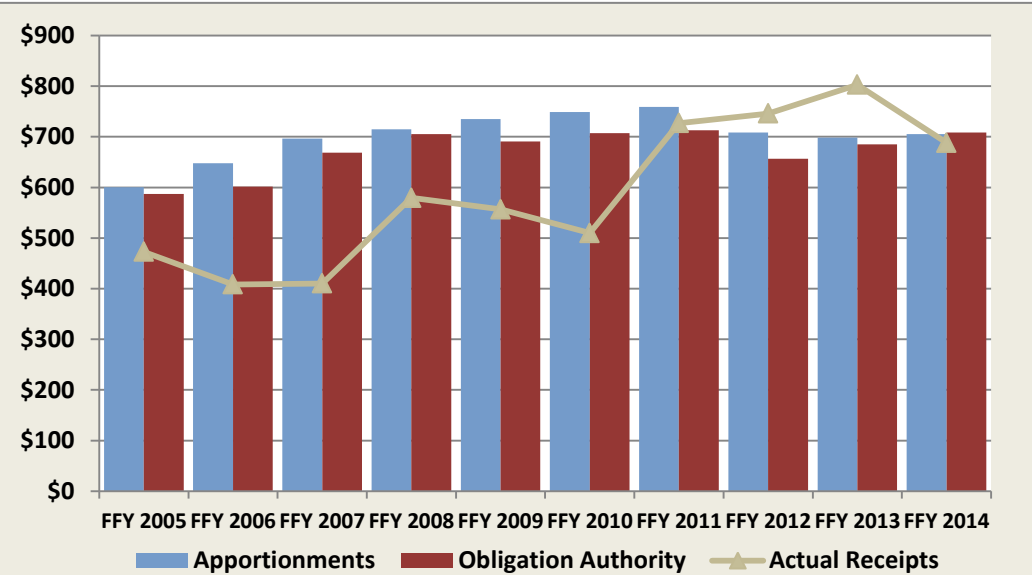
Federal Aid Program

FEDERAL AID PROGRAM

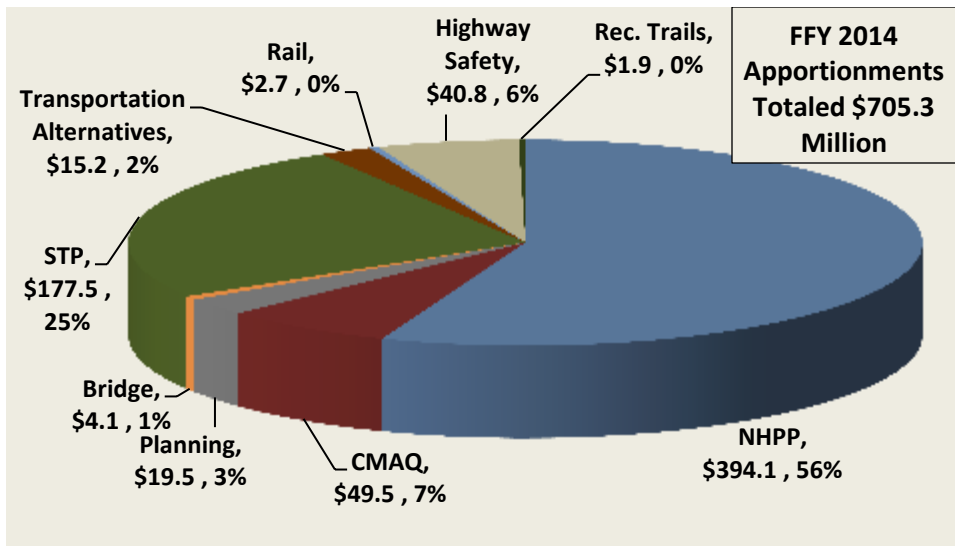
Highlights

- The Federal Aid program is a reimbursement program. The state or local jurisdiction funds the cost of the project and is then reimbursed a certain percentage (generally 94.3 percent in Arizona) by the Federal Highway Administration (FHWA).
- Arizona receives federal apportionments by various funding programs and then is provided obligation authority (OA) to obligate a certain share of the apportionments. In FFY 2014 that share was 94.9 percent.
- Arizona received \$705.3 million in federal aid apportionments in FFY 2014, along with \$708.2 million in obligation authority. There were \$38.5 million in August redistributions in FFY 2014, leading to an OA amount greater than the apportionment amount.
- Arizona's largest category of federal apportionments in FFY 2014 was the National Highway Performance Program (NHPP), which provided 56 percent, followed by the Surface Transportation Program (STP) at 25 percent.

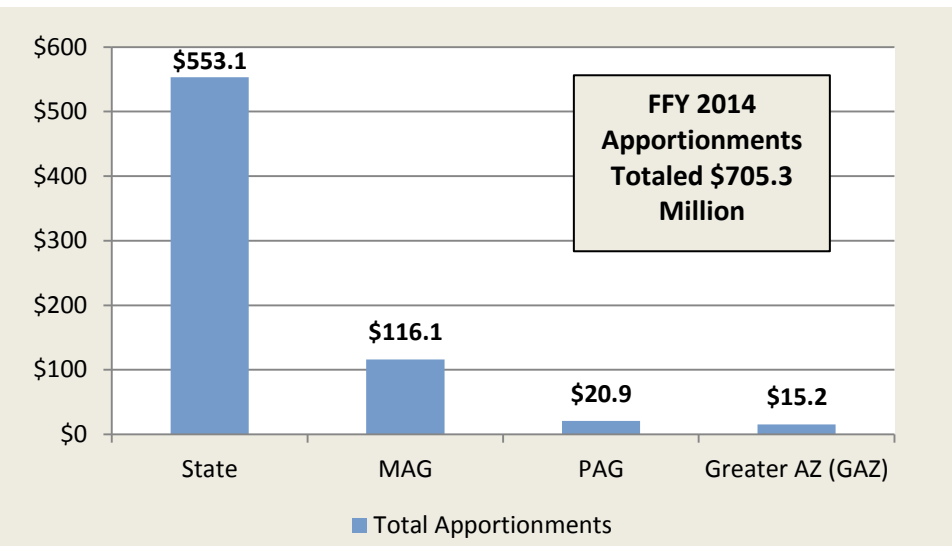
Federal Apportionments, Obligation Authority and Actual Receipts (\$ in Millions)



FFY 2014 Apportionments (\$ in Millions)



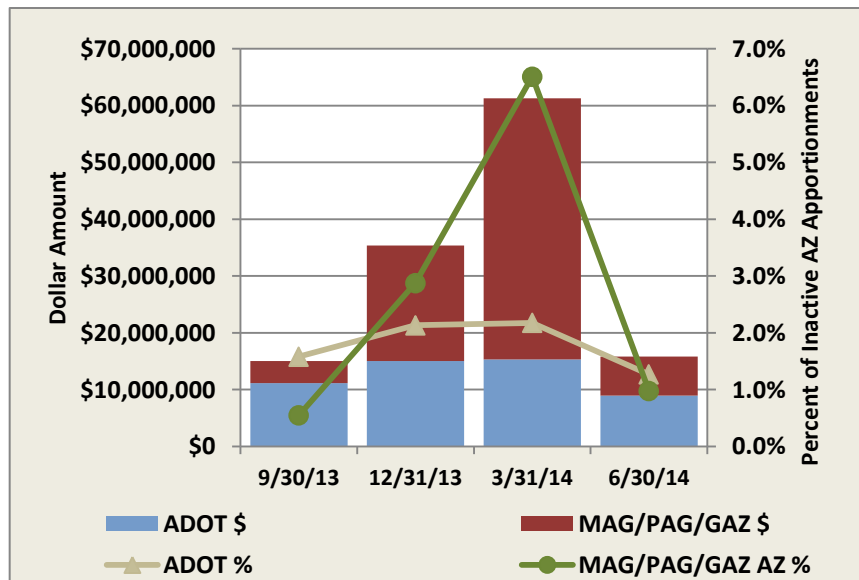
Distribution of FFY 2014 Total Apportionments (\$ in Millions)



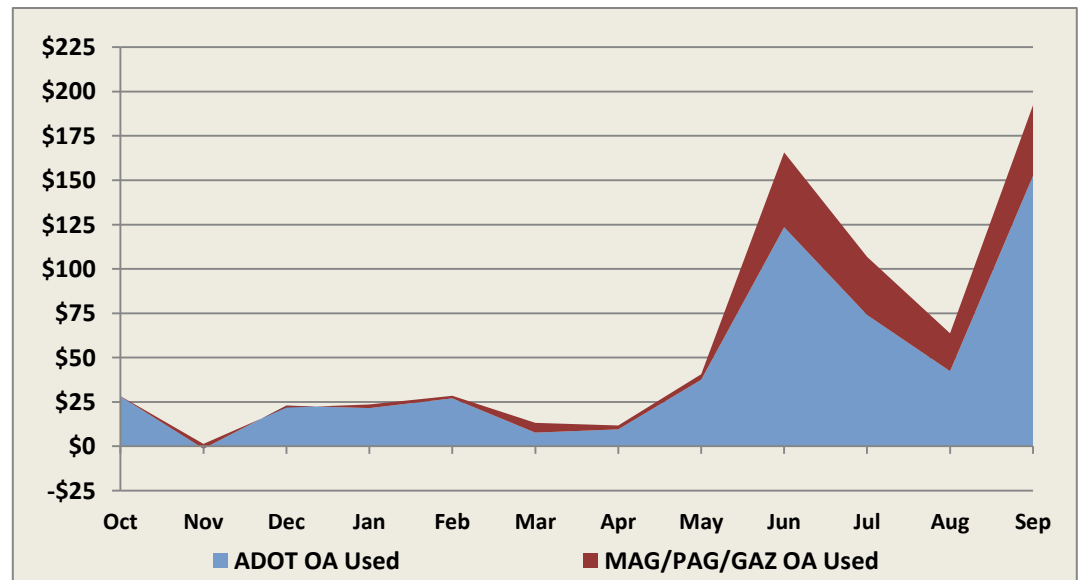
FEDERAL AID PROGRAM

- Tracking the dollar amount of inactive projects ensures that a minimal amount of federal funding is committed to idle projects. Inactive projects in the last quarter of State FY 2014 totaled \$15.8 million; 56.6 percent of that amount was due to inactive ADOT projects and 43.4 percent was due to inactive MAG, PAG and GAZ projects. On June 30, 2014, ADOT's inactive projects were 1.3 percent of Arizona's federal apportionments while the MAG/PAG/GAZ inactive projects were 1.0 percent of Arizona's federal apportionments.
- Obligation Authority is tracked on a monthly basis to ensure all federal aid is utilized. While project delivery is the key factor influencing the timing of the use of federal funds, spikes occur towards the end of the state fiscal year and the federal fiscal year as final reconciliations are completed.
- The Federal Highway Trust Fund (HTF) gets the majority of its revenue from a federal excise tax on gasoline and diesel fuel. The federal taxes on gasoline and diesel fuel are not indexed to inflation and have not been increased since 1993. The HTF ended State FY 2014 on the brink of insolvency (as shown on page 18). The FHWA issued warnings to state agencies that if the HTF went insolvent cash management measures, such as delaying reimbursements to states, might have to be taken. Ultimately, Congress did pass legislation which provided a one-time cash infusion to the HTF to avert insolvency through May of 2015, but the HTF will need additional funds to meet its obligations beyond this timeframe.

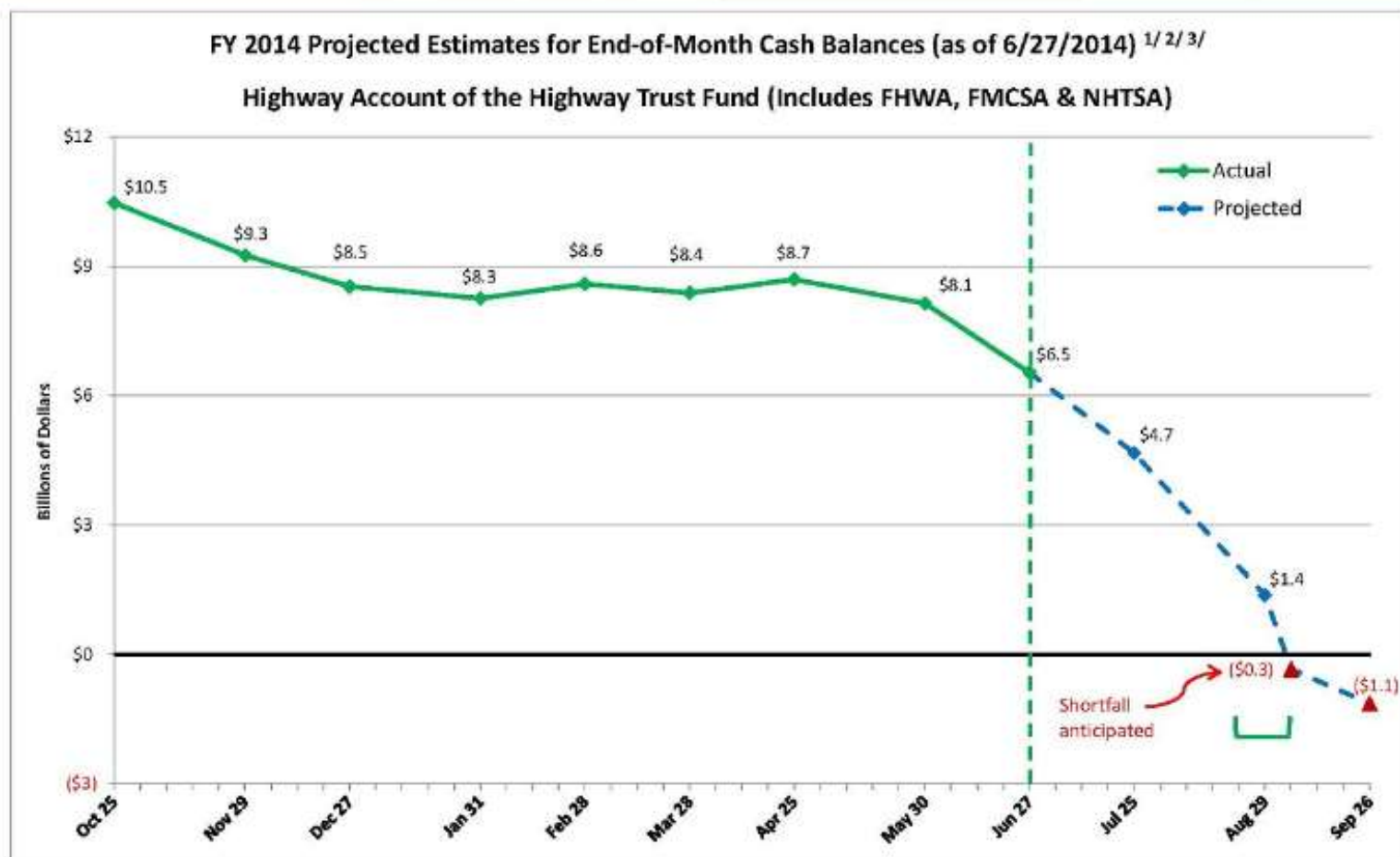
Inactive Projects by Quarter



FFY 2014 Obligation Authority (OA) Usage by Month (\$ in Millions)



FEDERAL AID PROGRAM: FUNDING CHALLENGES



1/ Graph reflects actual data through 6/27/14 and end-of-month projections for the remainder of the fiscal year.

2/ Total receipt and outlay projections are based on FY 2015 Mid-Session Review assumptions. Projected monthly receipt and outlay rates are based on historic averages.

3/ Range of anticipated shortfall: Green brackets denote the estimated window of when the anticipated shortfall will occur.

Source: FHWA

Debt Financing Program

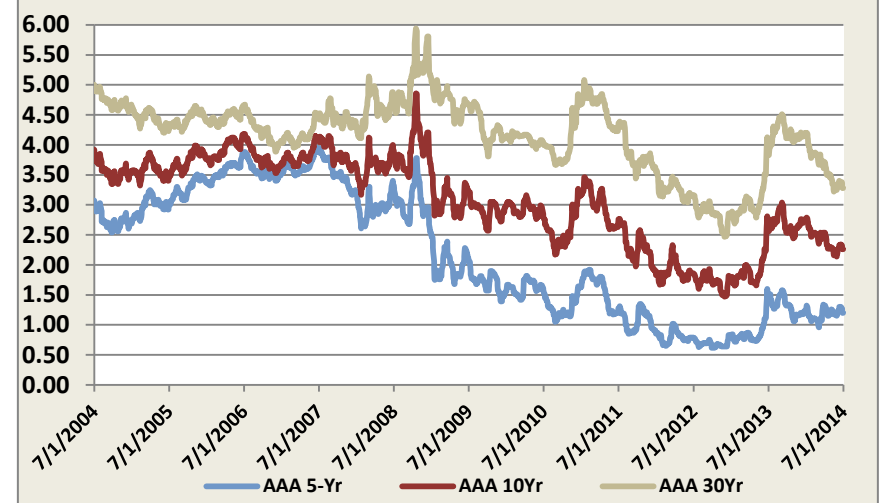
DEBT FINANCING PROGRAM

Highlights

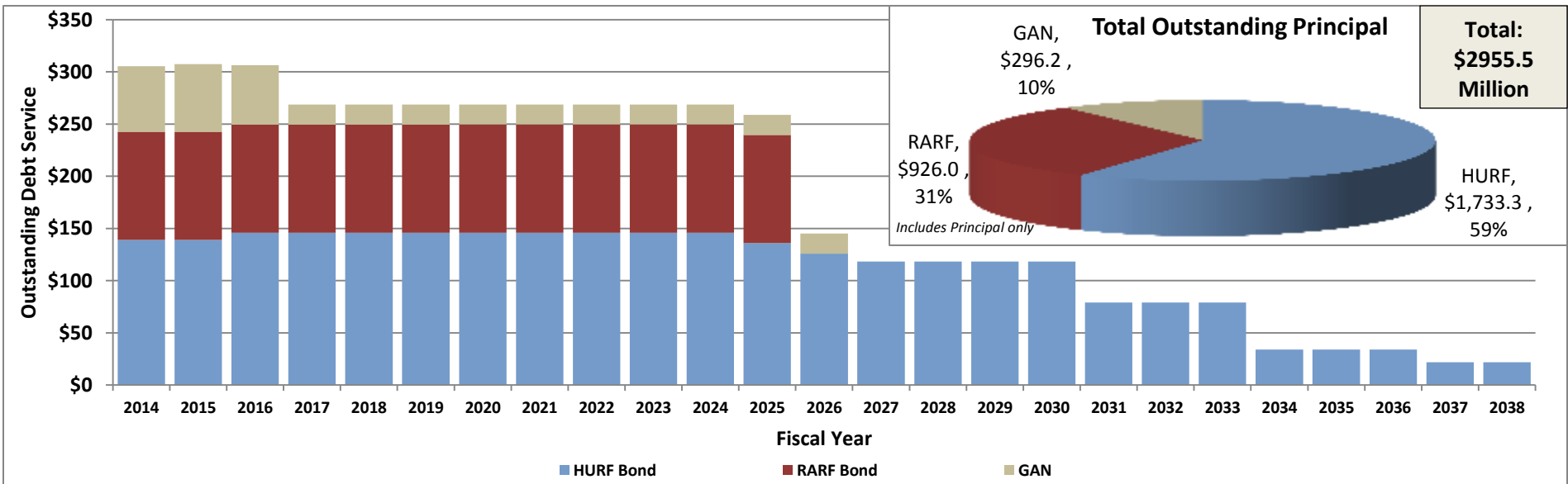
ADOT issues Highway Revenue Bonds (HURF), Transportation Excise Tax Bonds (RARF) and Grant Anticipation Notes (GANs) to help fund the Board's Five Year Transportation Facilities Construction Program. In 2014, ADOT had a total of \$2.955 billion in outstanding principal across these three credits. ADOT's bonds and notes are currently rated as follows by the three primary credit rating agencies:

Type of Bond	Rating Agency		
	Standard & Poor's	Moody's	Fitch
HURF (Senior Lien)	AAA	Aa1	-
HURF (Subordinate Lien)	AA+	Aa2	-
RARF	AA+	Aa1	-
GAN	AA	Aa2	AA

Tax Exempt Municipal Market Data

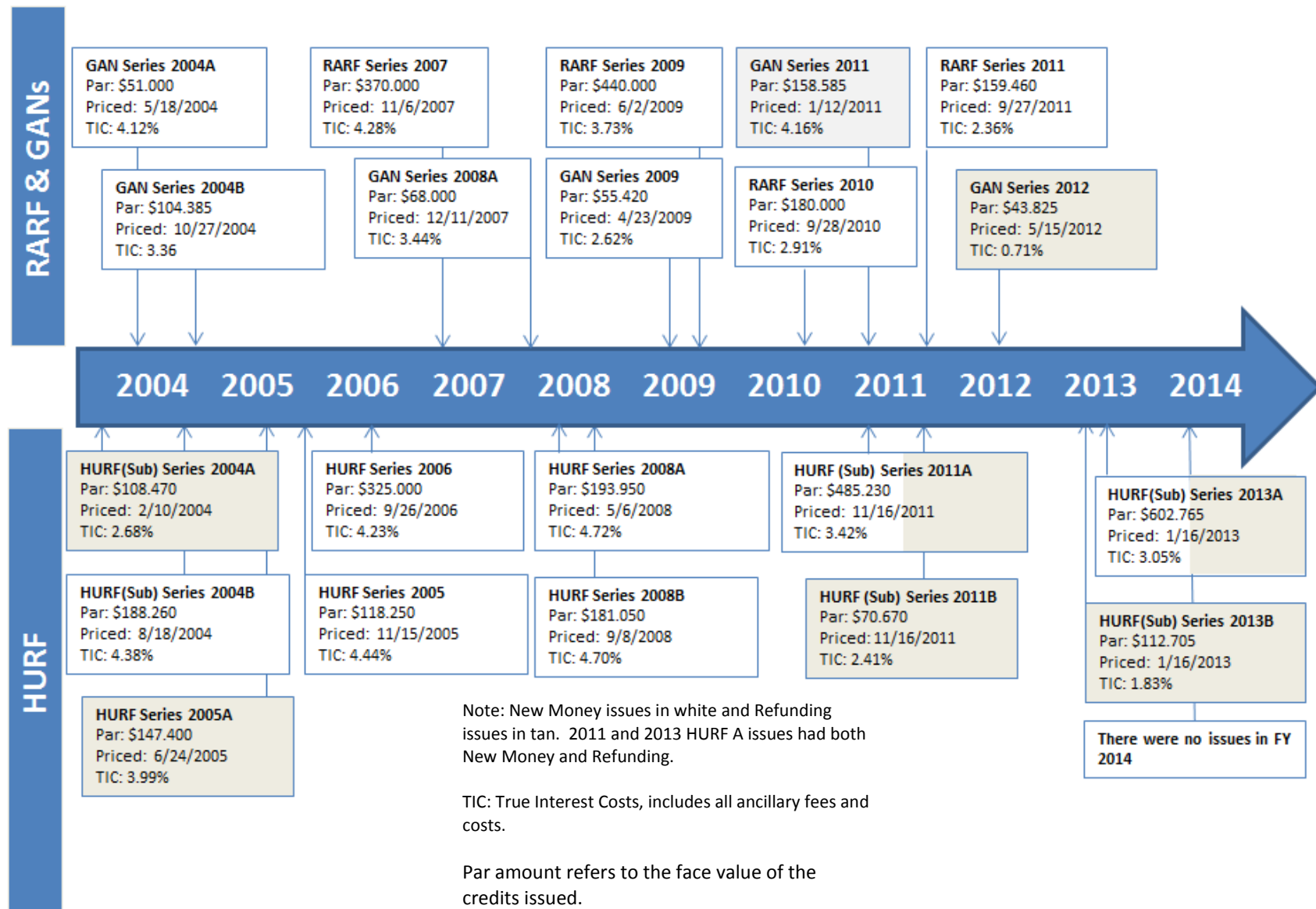


ADOT Total Debt Service by Fiscal Year (\$ in Millions)



DEBT FINANCING PROGRAM

Debt Issuance History FY 2004 – FY 2014 (\$ in Millions)



DEBT FINANCING PROGRAM – HIGHWAY USER REVENUE (HURF) BONDS

Highlights

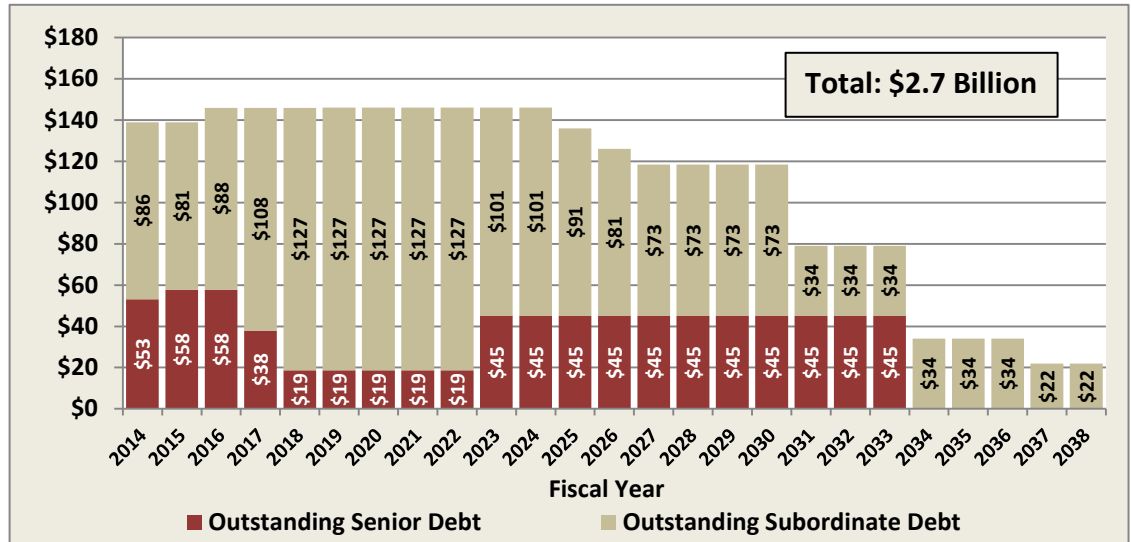
- HURF bonds are secured by and repaid from HURF revenues received by the State Highway Fund.
- As of June 30, 2014, outstanding HURF bond principal totaled \$1.73 billion, including \$492.8 million of Senior lien bonds and \$1.24 billion of Subordinate lien bonds.
- Total annual HURF debt service (for both Senior and Subordinate bonds) peaks at approximately \$146 million in fiscal years 2016-2024 and then declines to \$22 million in 2037-2038. These amounts do not reflect any new or refunding issues which may occur during this period.
- There were no new or refunding HURF transactions in FY 2014.

HURF Bond Parameters

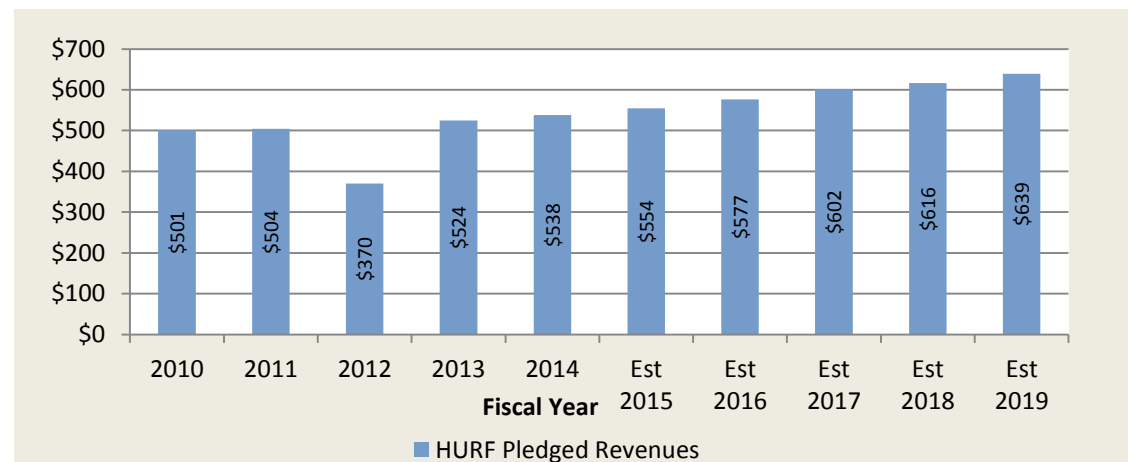
Statutory Authorization	
Maximum Debt Amount	None
Additional Bonds Test	3:1
Maximum Term	30 Years
Subordinated Debt Allowed	Yes

Resolution Requirements	
Additional Bonds Test	4:1 Senior
	3:1 Subordinate

HURF Bond Debt Service (\$ in Millions)



Revenue Pledged to HURF Bonds - Historical and Projected (\$ in Millions)

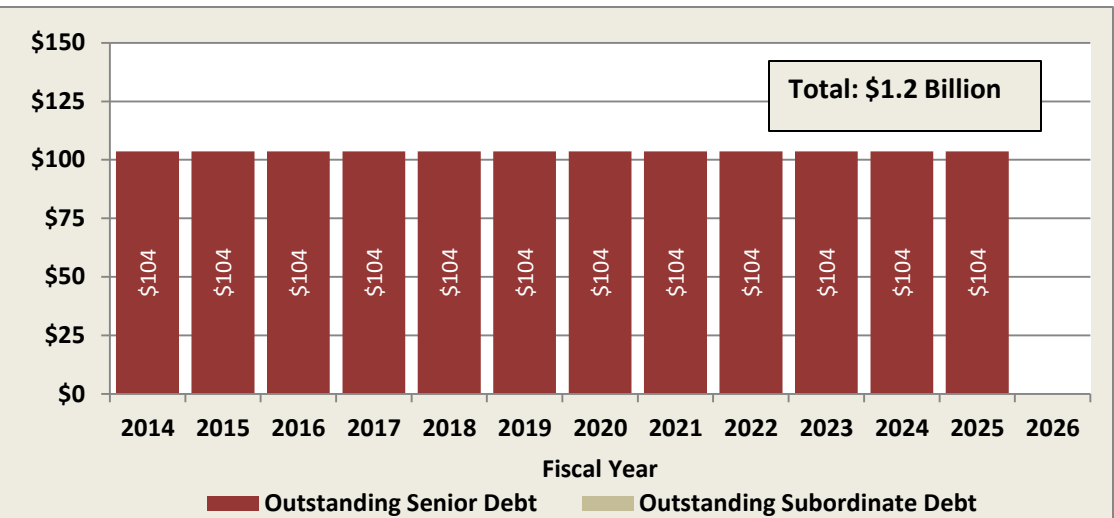


DEBT FINANCING PROGRAM – REGIONAL AREA ROAD FUND (RARF) BONDS

Highlights

- RARF bonds are secured by a pledge of 66.7 percent of transportation excise taxes collected in Maricopa County. The 20-year tax was approved by County voters in 2004 to help fund the Regional Transportation Plan. The tax expires as of December 31, 2025.
- As of June 30, 2014, outstanding RARF bond principal totaled \$926 million of Senior lien bonds; no Subordinate lien bonds have been issued.
- Total annual RARF debt service is approximately \$104 million through 2025. This amount does not reflect any new or refunding issues which may occur during this period. There were no new or refunding RARF transactions in FY 2014.

RARF Bond Debt Service (\$ in Millions)

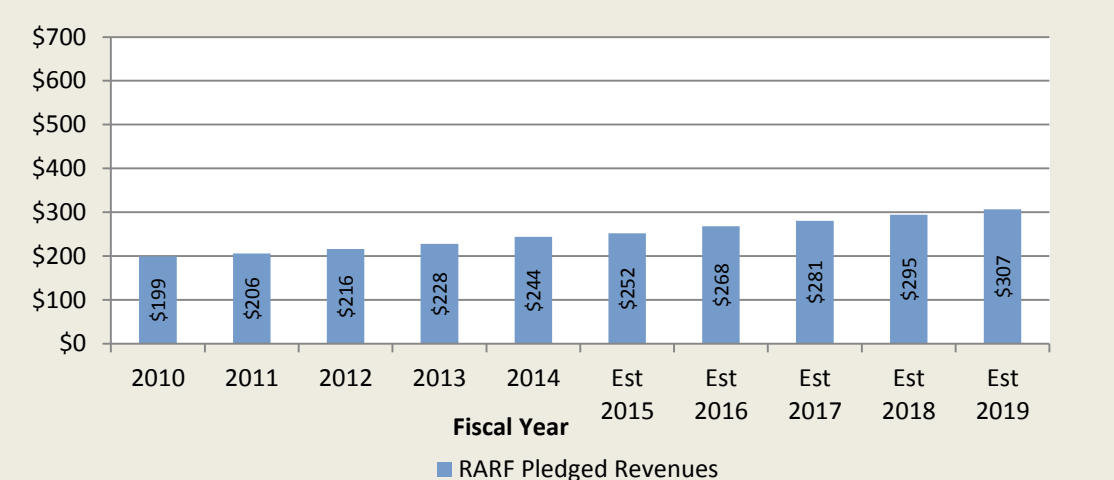


RARF Bond Parameters

Statutory Authorization	
Maximum Debt Amount	None
Additional Bonds Test	None
Maximum Term	Lesser of 20 years or expiration of tax
Subordinated Debt Allowed	Yes

Resolution Requirements	
Additional Bonds Test	2:1 Senior
	1.2:1 Subordinate
	1:1 Third Lien

Revenue Pledged to RARF Bonds - Historical and Projected (\$ in Millions)

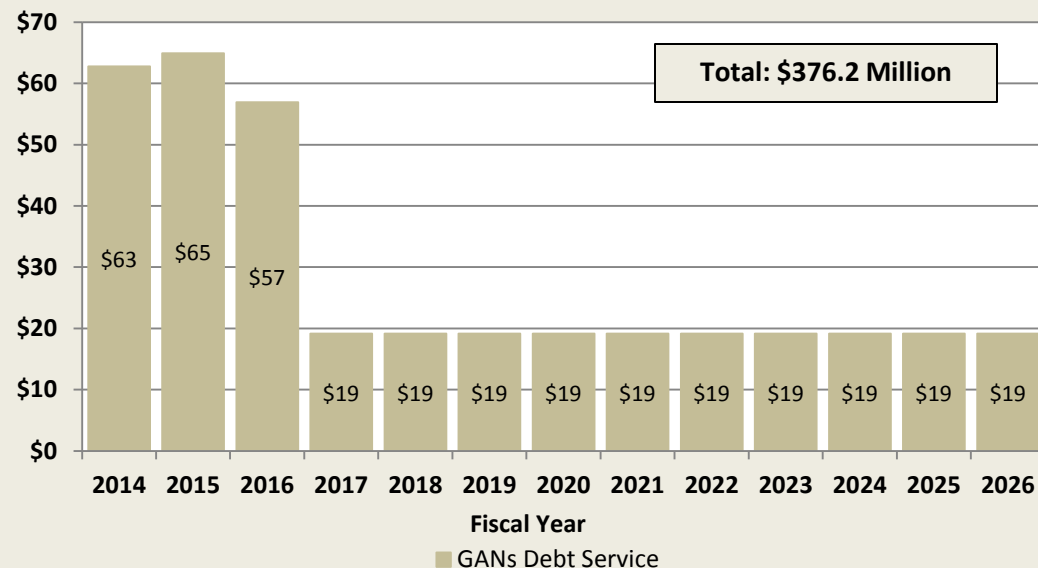


DEBT FINANCING PROGRAM – GRANT ANTICIPATION NOTES (GANs)

Highlights

- GANs are generally issued by the State Transportation Board (STB) for terms of 15 years or less. These Notes are secured by and repaid from a pledge of ADOT's future federal aid revenues under certain grant agreements with the Federal Highway Administration (FHWA). GAN proceeds are generally used to fund larger transportation projects.
- As of June 30, 2014, outstanding GANs principal totaled \$296.2 million of Senior lien bonds; no Subordinate lien bonds have been issued.
- Total annual GANs debt service peaks in fiscal year 2015 at \$65 million and then declines to approximately \$19 million for the period 2017-2026. This amount does not reflect any new or refunding issues which may occur during this period.
- There were no new or refunding GANs transactions in FY 2014.

GANs Debt Service (\$ in Millions)

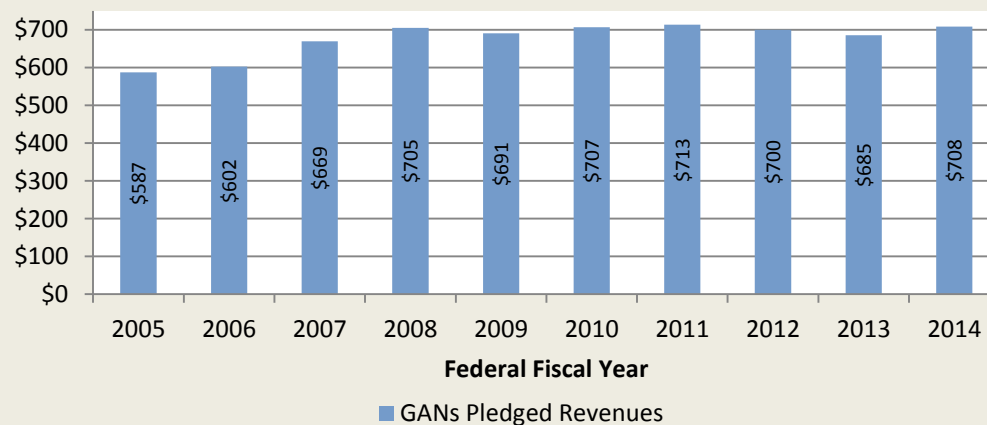


GANs Parameters

Statutory Authorization	
Maximum Debt Amount	None
Additional Bonds Test	None
Maximum Term	None
Subordinated Debt Allowed	Yes

Resolution Requirements	
Additional Bonds Test	1.5:1 Current Federal Authorization
	3:1 Future Federal Authorization

Revenue Pledged to GANs - Historical (\$ in Millions)



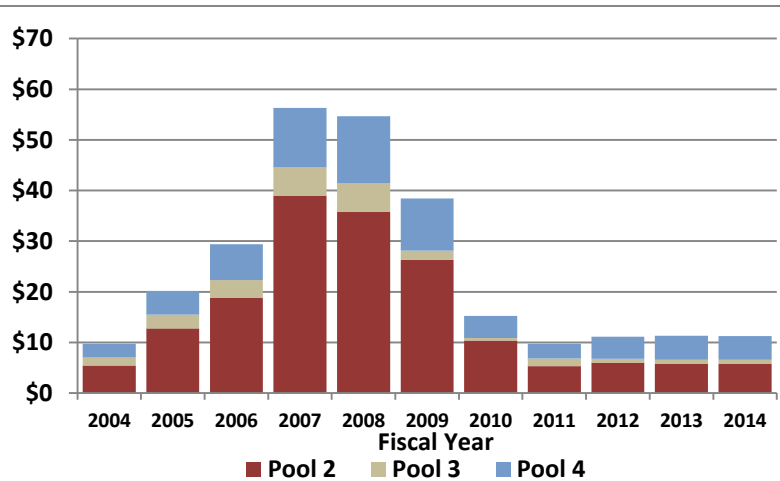
Cash Management

CASH MANAGEMENT

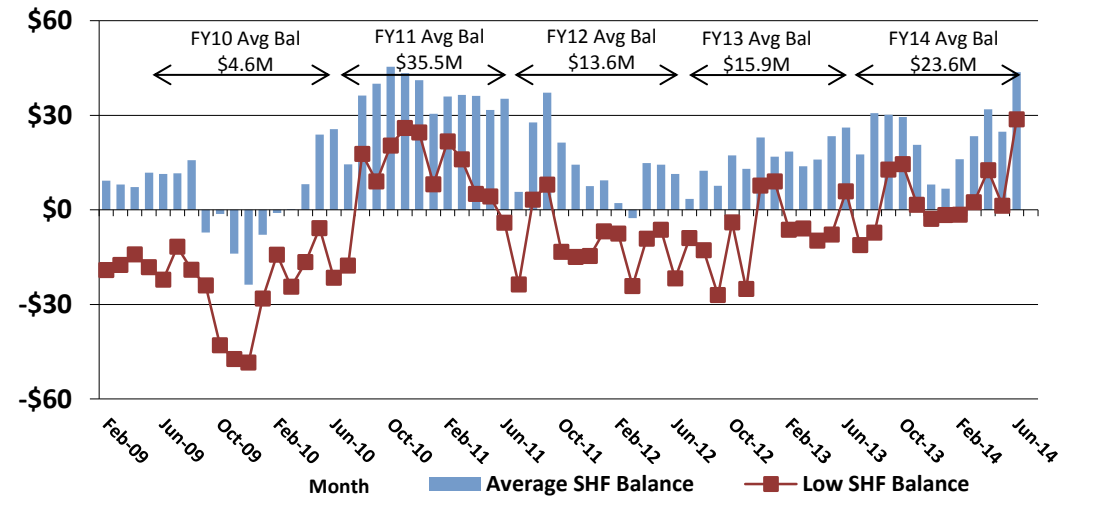
Highlights

- In FY 2014, the State Highway Fund cash balance continued a slow recovery from dangerously low levels, ending with an actual balance of \$50 million. Operating cash guidelines are \$150 million to ensure timely payments of Department liabilities.
- The Maricopa Association of Governments (MAG) Regional Transportation Plan Freeway Program (RTPFP) Cash Flow finished FY 2014 with an ending balance of \$731.3 million or \$331.8 million above the estimated ending balance. The variance was mainly due to the delay of a major freeway project, the South Mountain project.
- Investment interest earned in FY 2014 amounted to \$11.3 million, a decrease of \$0.1 million from the previous year. The low interest rates of recent years have kept the investment interest earned well below the \$56.3 million experienced in FY 2007.

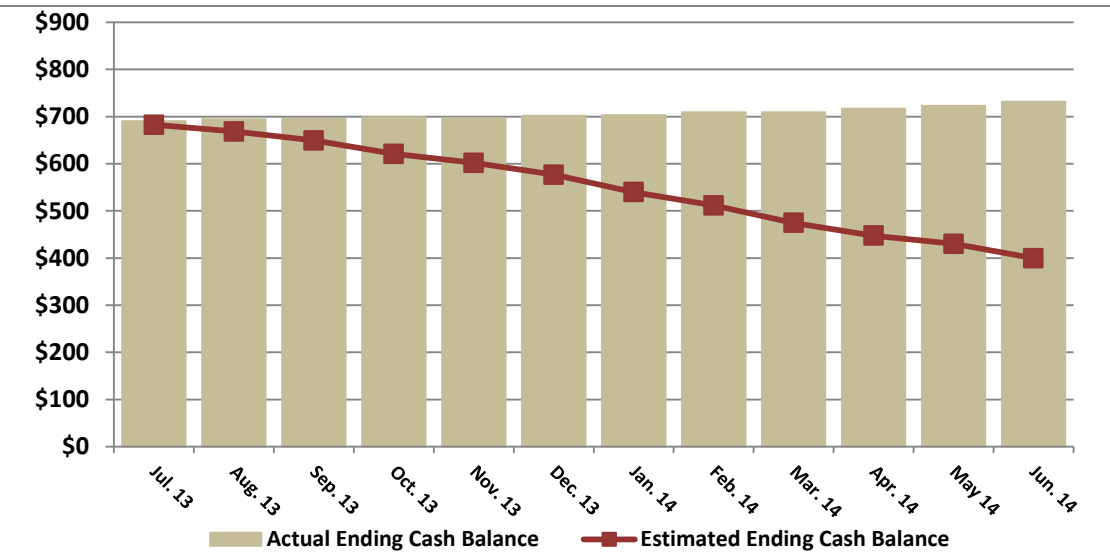
Investment Interest Received by Fiscal Year (\$ in Millions)



State Highway Fund (SHF): Low and Average Cash Balance History (\$ in Millions)



MAG RTPFP Cash Flow Actual Versus Estimated Ending Balance (\$ in Millions)



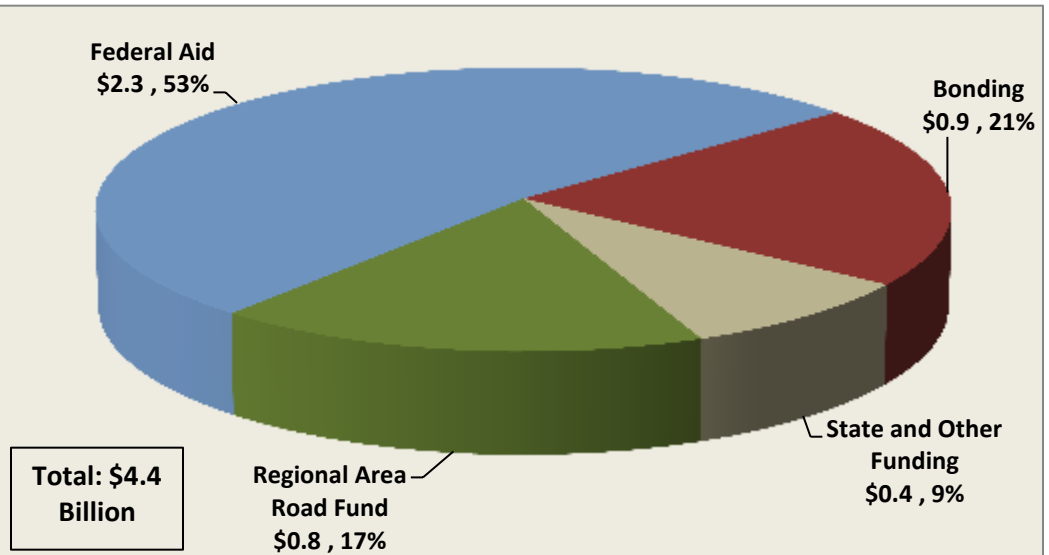
2015-2019 Five-Year Transportation Facilities Construction Program

FY 2015-2019 FIVE-YEAR TRANSPORTATION FACILITIES CONSTRUCTION PROGRAM

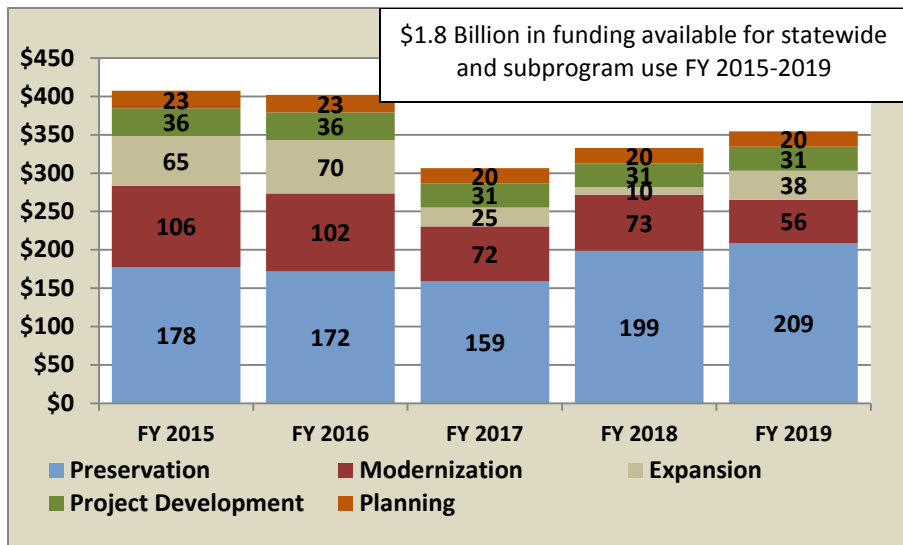
Highlights

- The FY 2015-2019 Five-Year Transportation Facilities Construction Program approved by the State Transportation Board on June 13, 2014 totaled \$4.4 billion.
- The major funding Sources and Uses are detailed in the pie charts to the right. The Department's main funding source for the FY 2015-2019 Five-Year Transportation Facilities Construction Program was Federal Funds which accounted for 53 percent of the funding.
- The Uses of funding consisted of the MAG Regional Transportation Plan Freeway Program (RTPFP) at 50 percent, Statewide Total at 41 percent and the PAG Regional Transportation Highway Program (RTHP) at 9 percent.
- Of the \$1.8 billion in funding available for statewide and subprogram use, 51 percent of it is used for system preservation.

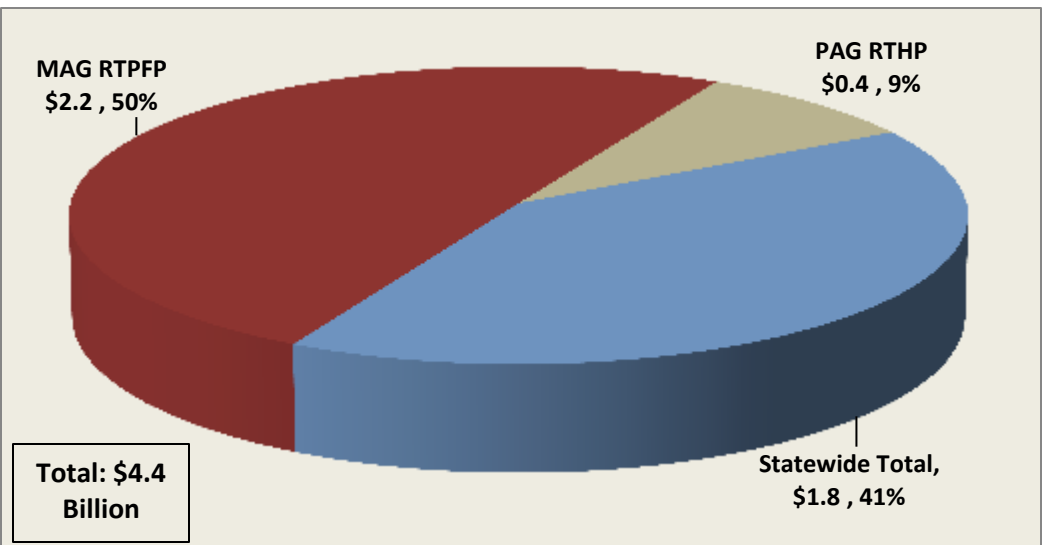
Sources (\$ in Billions)



FY 2015-2019 Summary of Dollars for Statewide Highway Construction (\$ in Millions)



Uses (\$ in Billions)



Audited Financial Statement

FY 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Arizona Department of Transportation Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds for the fiscal year ended June 30, 2014

	Special Revenue Funds						Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund		
Revenues								
Transportation excise taxes	\$ -	\$ 243,786,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,786,442
Vehicle registration, title, license, and related taxes and fees	287,045,595	-	461,584,090	325,908,620	-	-	10,627,979	1,085,166,284
Fuel and motor carrier taxes and fees	308,026,646	-	19,128,899	354,292,251	-	-	33,404,349	714,852,145
Flight property taxes	-	-	-	-	-	-	12,974,652	12,974,652
Reimbursement of construction expenditures - federal aid	337,944,137	134,735,136	-	-	-	-	63,513,077	536,192,350
Other federal grants and reimbursements	63,914,583	-	-	-	-	-	84,987,754	148,902,337
Reimbursements from Arizona counties and cities	8,761,605	601,654	-	-	-	-	9,950,513	19,313,772
Distributions from other state agencies	914,992	-	-	-	-	-	-	914,992
Interest on loans receivable	89,325	-	-	-	-	-	138,418	227,743
Income from investments	2,657,105	4,046,454	-	315,151	868,353	3,312,062	300,608	11,499,733
Grand Canyon National Park Airport	-	-	-	-	-	-	1,170,320	1,170,320
Rental income	4,642,060	1,383,197	-	-	-	-	-	6,025,257
Other	3,162,013	1,579,132	-	5,763,428	-	-	1,454,849	11,959,422
Total revenues	1,017,158,061	386,132,015	480,712,989	686,279,450	868,353	3,312,062	218,522,519	2,792,985,449
Expenditures								
Current:								
Administration	85,214,859	269,467	-	-	65,475	232,221	7,184,226	92,966,248
Highway	36,875,071	945,210	-	-	-	-	90,375,747	128,196,028
Highway maintenance	133,572,358	-	-	-	-	-	-	133,572,358
Motor vehicle	98,251,460	-	1,961,877	4,771,522	-	-	4,568,064	109,552,923
Total current expenditures	353,913,748	1,214,677	1,961,877	4,771,522	65,475	232,221	102,128,037	464,287,557

(continued)

FY 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Special Revenue Funds						Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund		
Expenditures (continued)								
Intergovernmental:								
Distributions to other state agencies	\$ 9,204,052	\$ -	\$ 47,840,553	\$ 128,538,896	\$ -	\$ -	\$ 30,898,863	\$ 216,482,364
Distributions to Arizona counties and cities	30,292,165	41,515,502	430,910,559	552,969,032	-	-	10,111,071	1,065,798,329
Debt service:								
Principal	6,183,510	45,080,751	-	-	165,615,000	-	-	216,879,261
Interest	519,850	-	-	-	139,739,218	-	-	140,259,068
Non-capital, including asset preservation	208,495,442	-	-	-	-	15,076,618	-	223,572,060
Capital outlay	254,996,394	173,548,634	-	-	-	134,883,005	-	563,428,033
Total expenditures	<u>863,605,161</u>	<u>261,359,564</u>	<u>480,712,989</u>	<u>686,279,450</u>	<u>305,419,693</u>	<u>150,191,844</u>	<u>143,137,971</u>	<u>2,890,706,672</u>
Excess <deficiency> of revenues over <under> expenditures	<u>153,552,900</u>	<u>124,772,451</u>	<u>-</u>	<u>-</u>	<u><304,551,340></u>	<u><146,879,782></u>	<u>75,384,548</u>	<u><97,721,223></u>
Other financing sources <uses>								
Transfers in	-	-	-	-	303,029,536	-	-	303,029,536
Transfers out for debt service	<136,991,290>	<103,252,009>	-	-	-	-	<62,786,237>	<303,029,536>
Sale of capital assets	900,071	-	-	-	-	-	-	900,071
Insurance recovery	2,327,699	-	-	-	-	-	-	2,327,699
Debt and capital lease issuances	13,235,820	29,130,257	-	-	-	-	-	42,366,077
Total other financing sources <uses>	<u><120,527,700></u>	<u><74,121,752></u>	<u>-</u>	<u>-</u>	<u>303,029,536</u>	<u>-</u>	<u><62,786,237></u>	<u>45,593,847</u>
Net changes in fund balances <deficits>	33,025,200	50,650,699	-	-	<1,521,804>	<146,879,782>	12,598,311	<52,127,374>
Fund balances <deficits> - July 1	398,282,867	440,711,830	<8,128,423>	-	1,700,524	459,459,708	49,609,263	1,341,635,769
Fund balances <deficits> - June 30	<u>\$ 431,308,067</u>	<u>\$ 491,362,529</u>	<u>\$ <8,128,423></u>	<u>\$ -</u>	<u>\$ 178,720</u>	<u>\$ 312,579,926</u>	<u>\$ 62,207,574</u>	<u>\$ 1,289,508,395</u>

For complete CAFR: <http://azdot.gov/about/FinancialManagementServices/transportation-funding/financial-reports>

Financial Management Services Administration

FINANCIAL MANAGEMENT SERVICES ADMINISTRATION

Kristine Ward, Chief Financial Officer

**Contact Information:**

Phone: (602) 712-7441

Fax: (602) 712-6672

Email: kward@azdot.gov

Kristine Ward was appointed as the Chief Financial Officer of the Arizona Department of Transportation in December 2011. Prior to joining ADOT, Ms. Ward served as the Deputy Director for the Department of Revenue (DOR) from 2005-2011. As Deputy Director she oversaw all aspects of Department operations including the accounting and processing of the State's 5+ million tax documents and \$12 billion in tax revenue. Before joining DOR, Ms. Ward served three administrations, Governor Symington, Governor Hull and Governor Napolitano, in the Office of Strategic Planning and Budgeting (OSPB) in various roles including Director and Deputy Director. At OSPB she oversaw and coordinated 120+ state agency budgets totaling \$20.6 billion, representing the Governor in budget matters.

Ms. Ward holds a Bachelor of Science degree in Business with a concentration in finance from Bowie State University and a Master's degree in Public Administration from Arizona State University.

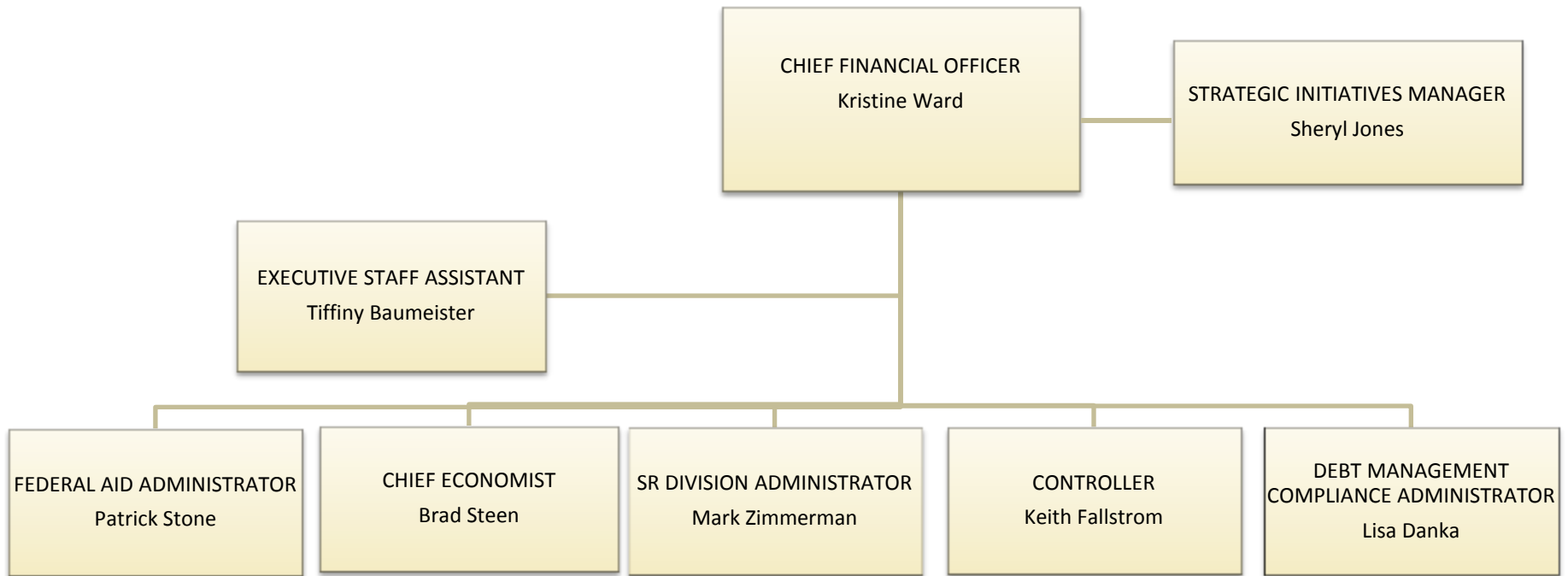
The Financial Management Services Division (FMS) of the Arizona Department of Transportation is responsible for managing the financial foundation on which Arizona's highways and bridges are built and administered. This includes forecasting, collecting, distributing and accounting for all the funds available to construct and maintain Arizona's highway system. To accomplish this vital mission, FMS is comprised of five core units and approximately 100 employees.

The key areas of Financial Management Services are:

- Financial Planning and Cash Management - responsible for revenue forecasting, coordinating daily cash investments, cash flow management and analyzing the fiscal impact of legislation.
- Revenue and Fuel Tax Administration - responsible for the accounting, collections and distribution of Highway User Revenue Fund (HURF) revenues and the administration of motor fuel taxes.
- Resource Administration - responsible for managing the financial life cycle of transportation projects and programs.
- Fiscal Operations - administers and directs all accounting and payroll activities.
- Debt Management and Compliance - oversees the administration of the debt and financing programs issued and overseen by the State Transportation Board.

In addition, FMS provides support to internal and external customers such as council of governments (COGs) and metropolitan planning organizations (MPOs), coordinates with the ADOT Multimodal Planning Division (MPD) and the ADOT Intermodal Transportation Division (ITD), and tracks legislation pertaining to transportation at both the state and national level.

FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: ORGANIZATION CHART



Brad Steen, Chief Economist



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Mr. Steen has been ADOT's Chief Economist since 1996 overseeing the Office of Financial Planning. In December 2011, Mr. Steen assumed the Cash Management duties and now directs both Financial Planning and Cash Management. He was previously an Economist with ADOT from 1989 to 1992 and 1995-1996. Prior to joining the Department, Mr. Steen worked at the Maricopa Association of Governments (MAG) and in the banking industry.

Mr. Steen holds a Bachelor of Science degree in Commercial Economics from South Dakota State University and a Master's degree in Business Administration from University of South Dakota.

Financial Planning is responsible for forecasting the Department's revenues, including the Highway User Revenue Fund (HURF) and Maricopa County Transportation Excise Tax. Accurate revenue forecasts are essential for planning and ensuring the effective delivery of the Five-Year Highway Construction Program and for the Department's day-to-day operating needs. Cash Management is responsible for tracking the statewide and Maricopa Association of Governments (MAG) Regional Transportation Plan Freeway Program (RTPFP) cash flows and daily cash investment activities.

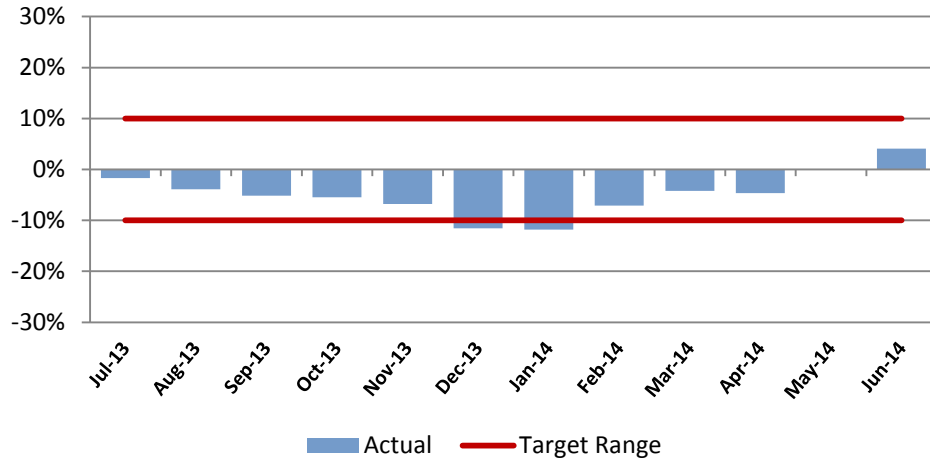
Specific duties include:

- Develops the Highway User Revenue Fund (HURF) and Maricopa County Transportation Excise Tax revenue forecasts that are then incorporated into the State Transportation Board's Five Year Transportation Facilities Construction Program and the MAG RTPFP Life Cycle Program.
- Responsible for the Statewide and MAG RTPFP cash flow forecasts that track the revenues, expenditures and available cash balances for the State Transportation Board's Five Year Transportation Facilities Construction Program and the MAG RTPFP Life Cycle Program.
- Manages the Department's daily cash investment activity and coordinates the semi-annual debt service payments.
- Provides financial impact on pending legislative proposals from the national and state level.
- Develops ad hoc financial and investment analyses.

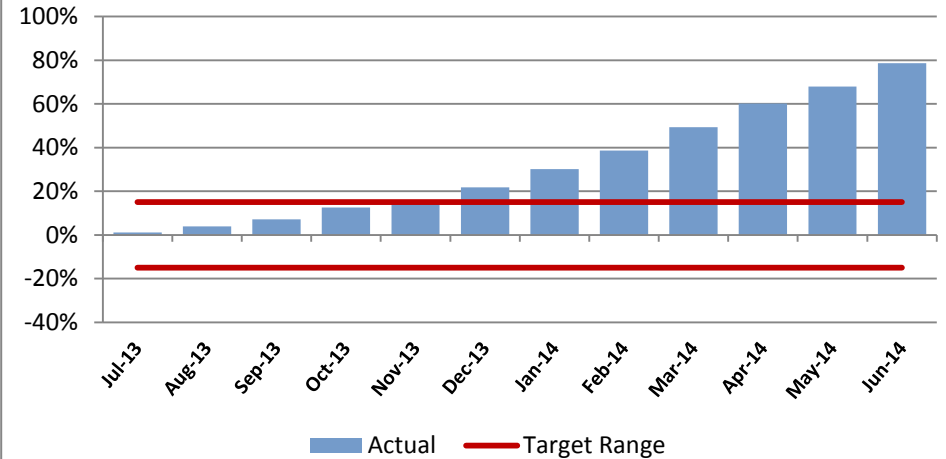
FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: FINANCIAL PLANNING AND CASH MANAGEMENT

Key Performance Measurements

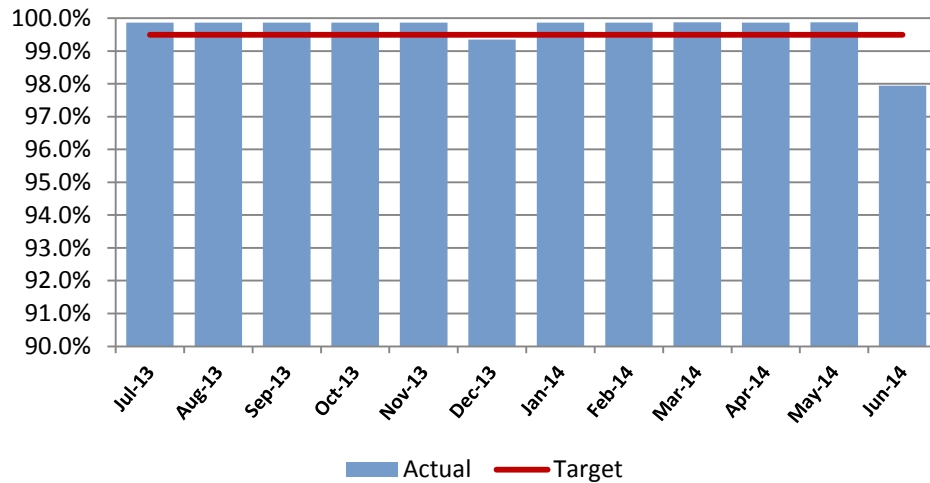
Percent of Variance in Statewide Cash Flow Forecast



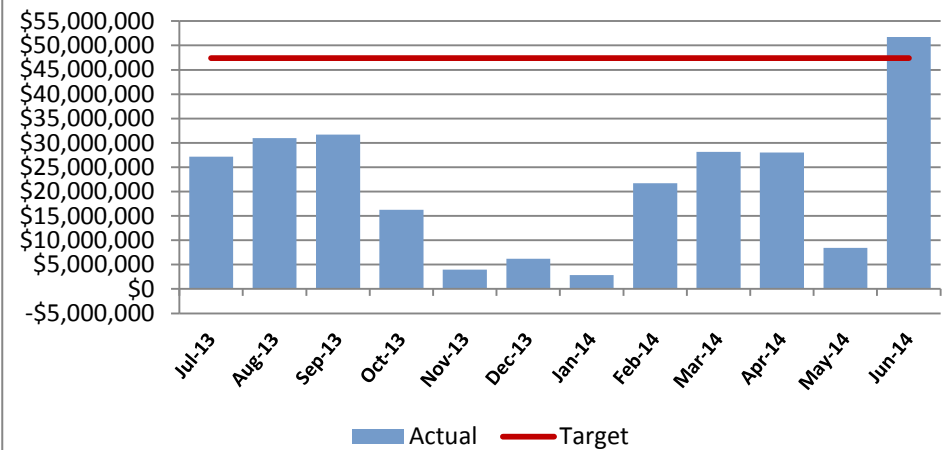
Percent of Variance in MAG RTPFP Cash Flow Forecast



Percentage of Total ADOT Funds Invested Daily



Variance from the Forecast: State Highway Fund Operating Cash



FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: REVENUE AND FUEL TAX ADMINISTRATION

Mark Zimmerman, Senior Division Administrator



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Mr. Zimmerman serves as the Senior Division Administrator for the Revenue and Fuel Tax Administration (RFTA). Mr. Zimmerman has worked for the State of Arizona since 1993, beginning his career with the Arizona Department of Economic Security as an Unemployment Tax Auditor. Since 2000, Mr. Zimmerman worked for ADOT's Office of Audit and Analysis as a Revenue Field Auditor, Audit Manager, and in 2007, served as the Director of Revenue Audit. In March 2010, Mr. Zimmerman was appointed as Deputy Division Administrator for RFTA, and in late 2012, began serving as the Senior Division Administrator.

Mr. Zimmerman holds a Bachelor of Arts degree in Liberal Studies from Arizona State University and is a Certified Fraud Examiner (CFE).

Revenue and Fuel Tax Administration (RFTA) is responsible for the accounting of Highway User Revenue Fund (HURF) and Vehicle License Tax (VLT) revenues as well as the licensing, collection, reporting and compliance with all motor fuel tax laws. HURF is defined in the Arizona Constitution and the Arizona Revised Statutes and is a major funding source for Arizona's highways and streets.

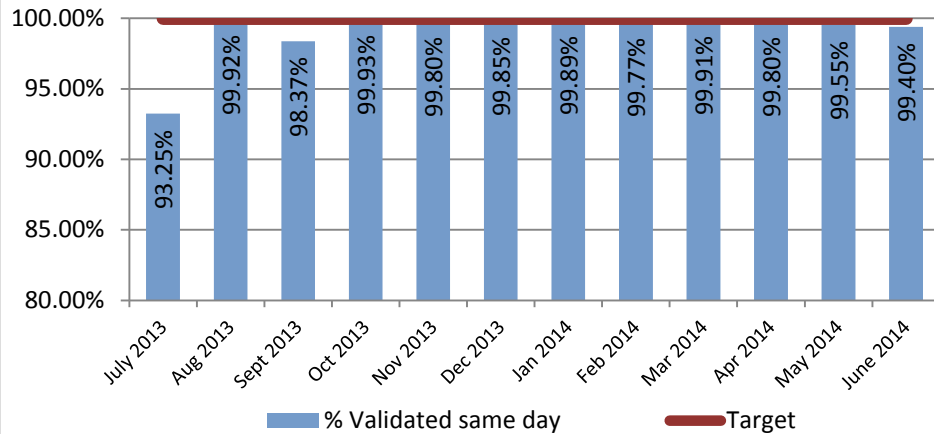
Specific responsibilities include:

- Collecting and accounting for HURF and VLT revenues. Through various taxes and fees, HURF and VLT generate over a billion dollars in revenue each year.
- Ensuring accurate and timely distribution of all HURF revenues. Arizona Statute and State Transportation Board policy dedicate specific proportions of HURF and VLT revenues to the state highway fund and city and county governments. These monies provide funding for highway, street, transportation and general purpose projects.
- Administering Arizona's motor fuel tax laws. Motor fuel is defined as gasoline, diesel and aviation fuel. The State of Arizona requires licensed fuel suppliers to collect and remit taxes to ADOT on behalf of consumers and users. In addition, the unit administers the International Fuel Tax Agreement (IFTA) which simplifies the reporting of fuel usage taxes by interstate motor fuel carriers.

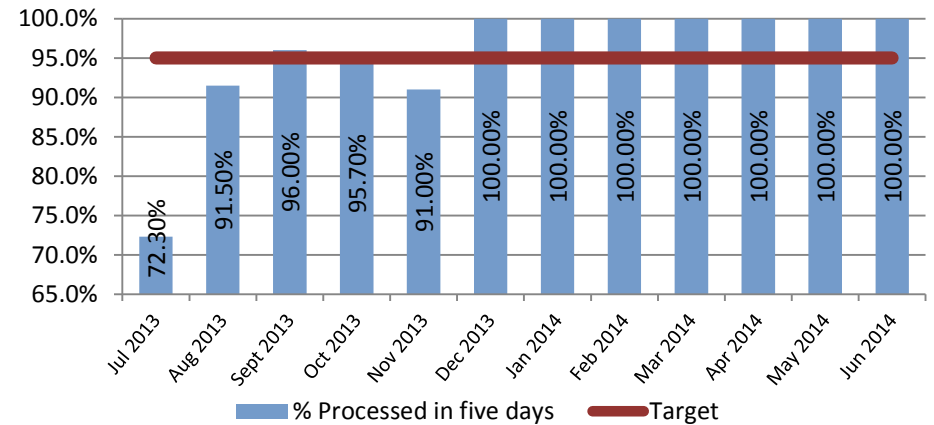
FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: REVENUE AND FUEL TAX ADMINISTRATION

Key Performance Measurements

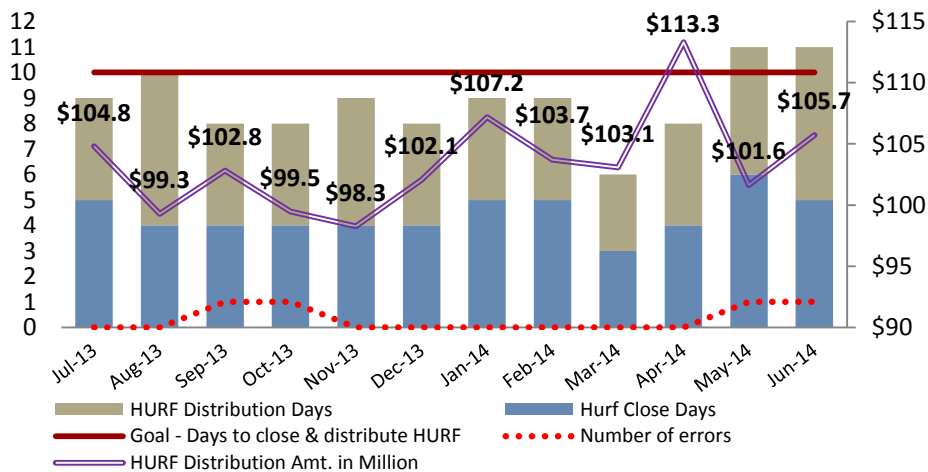
Percentage of Bank Deposits Validated by the State Treasurer's Office On the Same Day



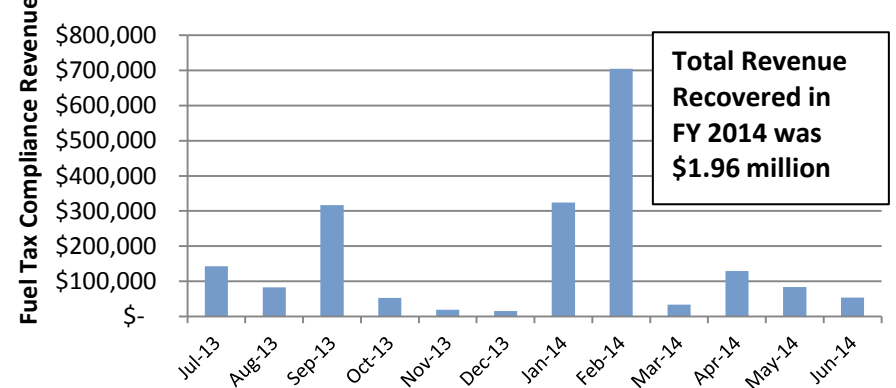
Percentage of Completed Fuel Tax License Applications Processed within Five Days



HURF Distribution Timeliness, Volume and Accuracy



Fuel Tax Compliance Revenue Recovered



FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: RESOURCE ADMINISTRATION

Patrick Stone, Federal Aid Administrator

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Email: pstone@azdot.gov

Mr. Stone became the Department's Federal Aid Administrator in April of 2014 and is responsible for overseeing the State's federal aid highway funding program and tracking the State Transportation Board's Five Year Construction Program budget. He has dedicated his entire 25 year professional career to working for the Arizona Department of Transportation. Mr. Stone began his career in ADOT's Finance department, working in Fixed Assets and General Ledger before assuming the duties of Accounts Payable Manager in 1998. In 2004 he joined the Program Budget team as the Program Budget Manager, then in 2006 accepted a position in the Right of Way Group as first the Operations Manager before being appointed as Assistant Chief Right of Way Agent in 2008. In 2012 Mr. Stone became the Local Public Agency Program Manager until accepting his current position. Mr. Stone holds a Bachelor of Arts degree in History from Arizona State University.

The Resource Administration unit is responsible for managing the financial life cycle of transportation projects and programs. The life cycle begins with the programming of funds in the State Transportation Board's Five-Year Transportation Facilities Construction Program and the Statewide Transportation Improvement Program (STIP). It continues with the assigning and expenditure of funds during the design, right of way and construction phases, culminating with the final project accounting. Throughout the entire finance life cycle, the unit manages various funding sources and monitors projects and programs to ensure efficient and effective utilization of public transportation funds.

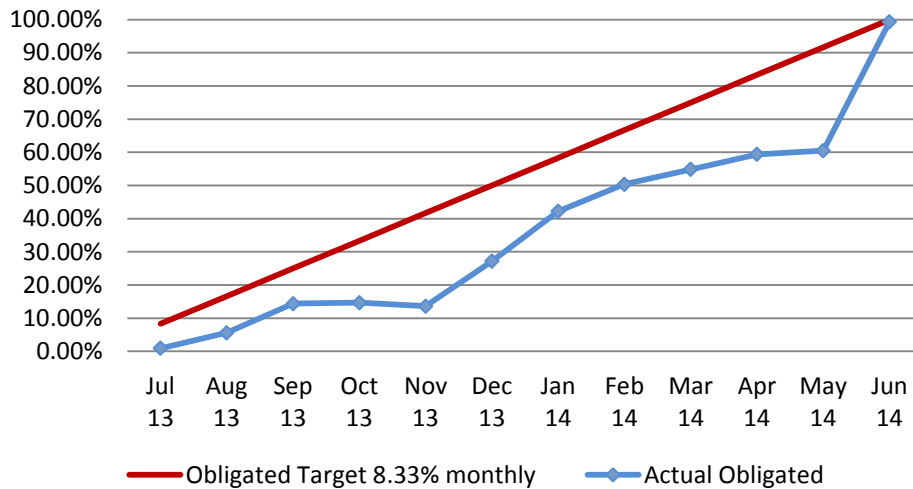
Specific objectives include:

- Tracking the utilization of funds and the delivery of projects in the Five-Year Transportation Facilities Construction Program and STIP. This includes tracking several million dollars in current projects as well as a multi-million dollar portfolio of future projects.
- Managing the State's annual allocation of federal highway funding, which is used by a variety of project sponsors throughout the State, including ADOT, local governments, regional planning organizations and other state agencies. These funds must be authorized on a project-by-project basis and fully obligated by the end of each federal fiscal year.
- Reporting to a variety of stakeholders on the status and disposition of projects and funding, including management, project development and construction staff, regional planning organizations and other state and federal agencies.

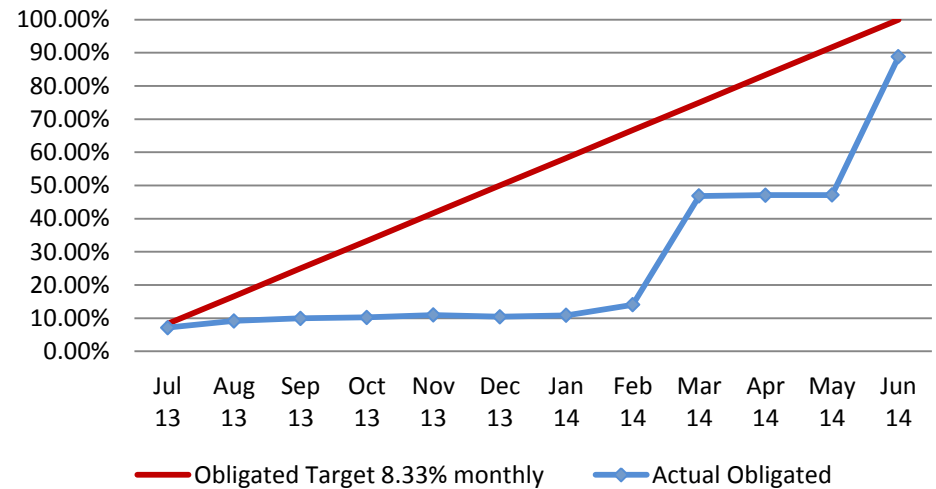
FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: RESOURCE ADMINISTRATION

Key Performance Measurements

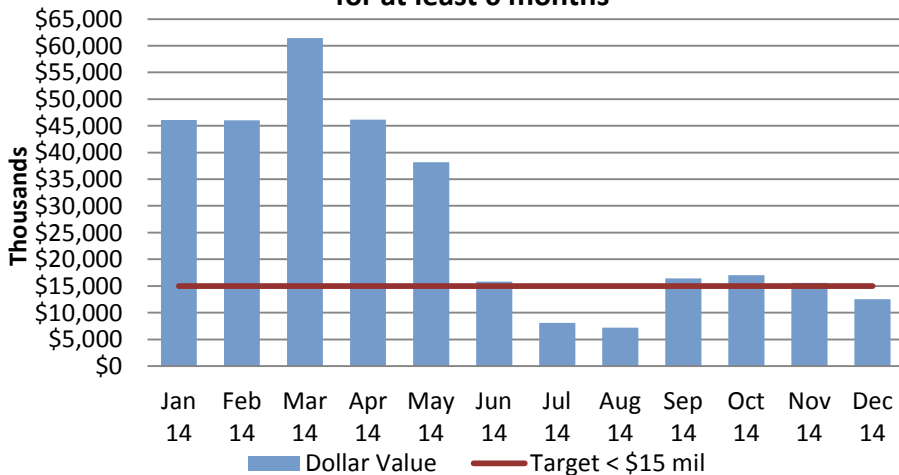
Percent of Statewide Program obligated year-to-date



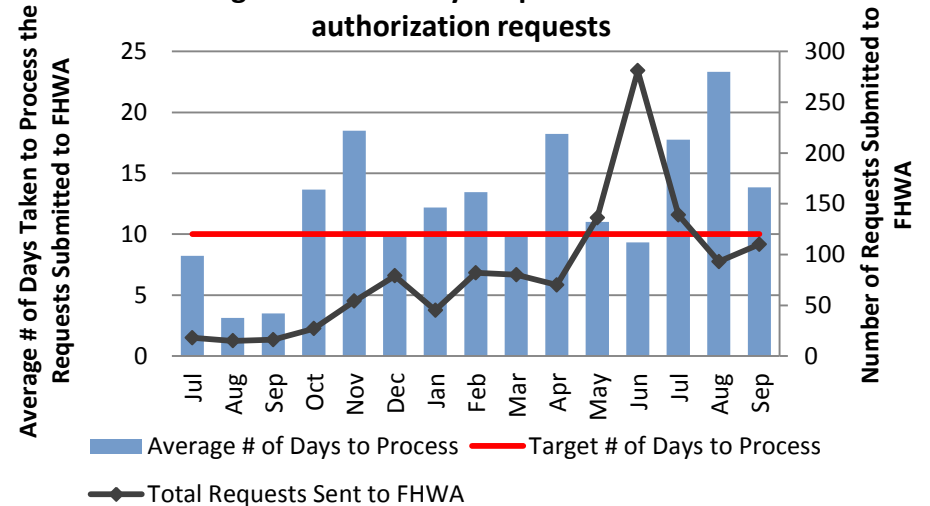
Percent of MAG RTPFP obligated year-to-date



Dollar value of federal projects inactive for at least 6 months



Average number of days to process federal aid authorization requests



Keith Fallstrom, Controller

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Email: kfallstrom@azdot.gov

Mr. Fallstrom started with the State of Arizona in 2000 at the Governor's Office of Strategic Planning and Budgeting (OSPB). As a budget analyst, he assisted agencies with the preparation and implementation of their budgets and strategic plans. Mr. Fallstrom also helped develop the Executive Budget Recommendation and lobbied the legislature for its passage. After OSPB, Mr. Fallstrom worked at the Arizona State Land Department as the Budget and Accounting Manager and then as the Administration Division Director, where he was responsible for the administrative functions of the agency, including accounting, procurement, budget, facilities and human resources. Mr. Fallstrom has been the Controller at ADOT since July 2011.

Mr. Fallstrom holds a Bachelor of Science degree in Physics and a Master's degree in Public Administration from Brigham Young University.

Fiscal Operations directs all general accounting and cost accounting activities, in accordance with generally accepted accounting principles (GAAP), Governmental Accounting Standards Board (GASB) Pronouncements and State and Federal regulations.

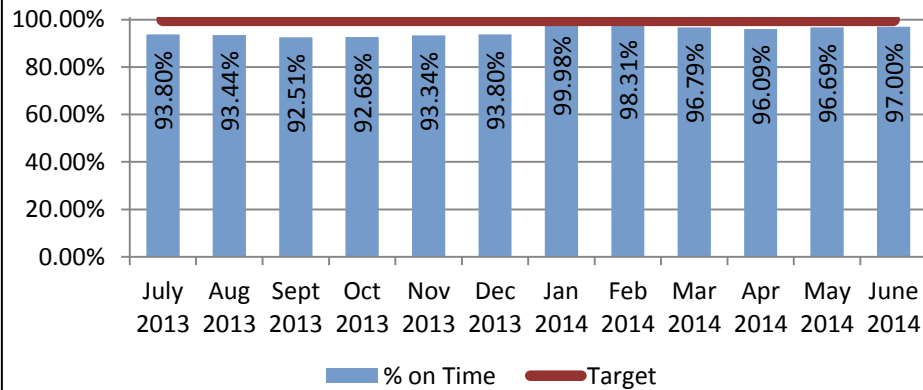
The responsibilities of Fiscal Operations include:

- General accounting for the Department including Accounts Payable, Accounts Receivable, Cost Accounting, Fixed Assets, General Ledger and Payroll Services.
- Develop, interpret and administer financial policies, rules and regulations for the Department.
- Prepare annual financial reports, including the Arizona Department of Transportation Comprehensive Annual Financial Report (CAFR).
- Track, analyze and validate costs associated with highway construction and other projects including the reconciliation and closing of federally funded projects.
- Invoice, collect and deposit federal funds in a timely and efficient manner.
- Administer the Agency's financial information system, ensuring Federal and State requirements are met with ADOT's current and/or future financial systems.

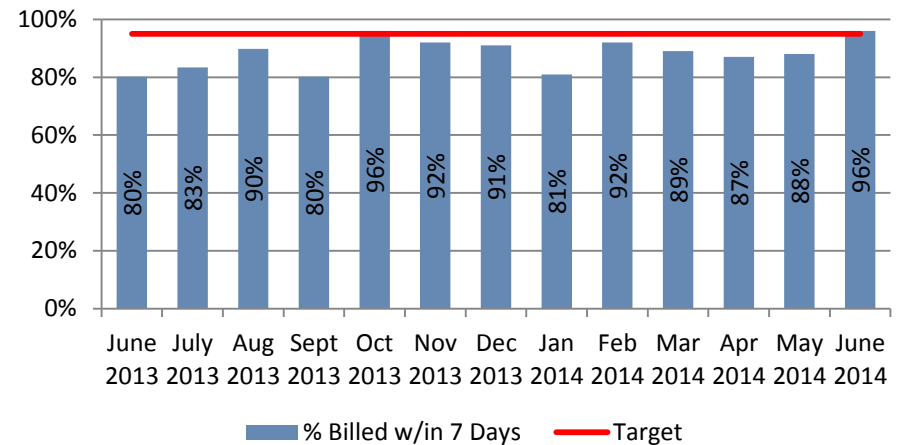
FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: FISCAL OPERATIONS

Key Performance Measurements

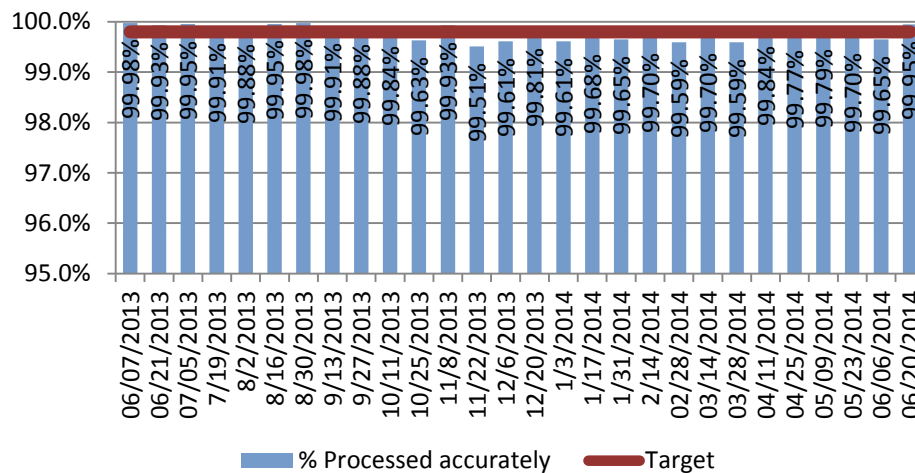
Percent of Invoice Payments Made Within Statutory Deadline



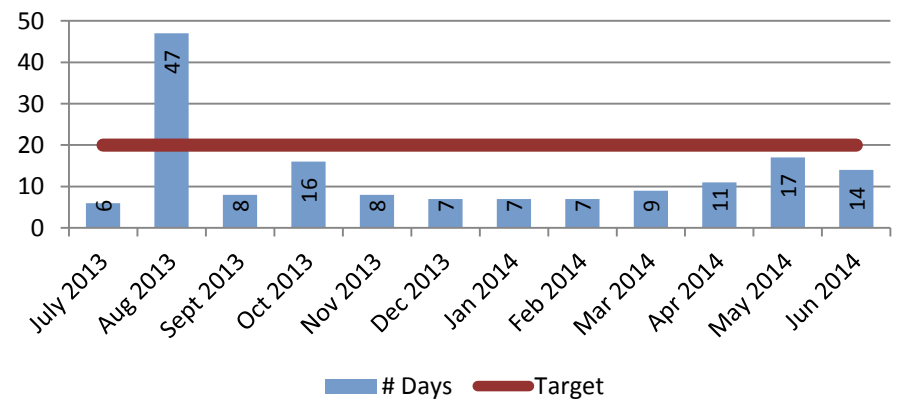
Federal Expenditures Billed within 7 Days



Percent of Payroll Processed Accurately



Days to Complete the Advantage® vs. AFIS Reconciliation



FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: DEBT MANAGEMENT AND COMPLIANCE

Lisa Danka, Debt Management and Compliance Administrator



Contact Information:

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Ms. Danka joined ADOT in November 2009 and is currently responsible for ADOT's debt financing and Highway Expansion and Extension Loan (HELP) programs. Prior to assuming the Debt Management and Compliance Administrator role, Ms. Danka led the Resource Administration Unit and was responsible for the federal aid highway program. Before joining the Department, Ms. Danka was the Assistant Deputy Director for Finance and Investment at the Arizona Department of Commerce. In this role, she oversaw eight business tax credit, grant and loan programs, private activity bonds, and served as the Executive Director of both the Greater Arizona Development Authority and Commerce and Economic Development Commission.

Ms. Danka holds a Bachelor of Arts degree in Political Science from Western Illinois University and a Master's degree in Business Administration from Bradley University. Ms. Danka has completed the Wharton Transportation Executive Program.

As a highly-rated issuer with \$2.9 billion in principal outstanding (as of June 30, 2014), ADOT takes seriously its responsibility to Arizona citizens, bond holders, financial markets and federal regulators. As a result, the position of Debt Management and Compliance Administrator (DMCA) was created in 2014 to provide a full-time and exclusive focus on ADOT debt programs.

The DMCA is responsible for debt issuance, managing various debt financing programs and ensuring compliance with legal covenants, disclosure requirements and IRS regulations. In addition, the DMCA will execute a strategic plan to implement "best in class" debt management and compliance activities focused on continuous improvement. This includes implementation of an in-house compliance management database, development of new informational tools and robust annual review of policies, procedures and processes.

In addition, DMCA manages the Highway Expansion and Extension Loan Program (HELP), a state infrastructure bank which provides loans to public entities, enabling eligible transportation projects to be built sooner than currently programmed.

Listing of Acronyms

Acronyms

Description

ADOT	Arizona Department of Transportation
AFIS	Arizona Financial Information System
CAFR	Comprehensive Annual Financial Report
CMAQ	Congestion Mitigation and Air Quality Improvement (CMAQ) Program
COG	Council of Governments
DPS	Department of Public Safety
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FMS	Financial Management Services
FY	State Fiscal Year
GAAP	Generally Accepted Accounting Principles
GANs	Grant Anticipation Notes
GASB	Government Accounting Standards Board
GAZ	Greater Arizona
HTF	Highway Trust Fund
HURF	Highway User Revenue Fund
IFTA	International Fuel Tax Agreement
ITD	Intermodal Transportation Division
L,B & I	Land, Buildings and Improvements
MAG	Maricopa Association of Governments
MPD	Multimodal Planning Division
MPO	Metropolitan Planning Organization
MVD	Motor Vehicle Division
NHPP	National Highway Performance Program
OA	Obligation Authority
PAG	Pima Association of Governments
RARF	Regional Area Road Fund, also known as the Maricopa County Excise Tax
RFTA	Revenue and Fuel Tax Administration
RTHP	Regional Transportation Highway Program
RTP	Regional Transportation Plan
RTPFP	Regional Transportation Plan Freeway Program
SETIF	Safety Enforcement and Transportation Infrastructure Fund

Acronyms

Description

SHF	State Highway Fund
STAN	Statewide Transportation Acceleration Needs
STB	State Transportation Board
STIP	State Transportation Improvement Program
STP	Surface Transportation Program
TIC	True Interest Cost
VLT	Vehicle License Tax